

**THE UNIVERSITY OF AKRON RESEARCH
FOUNDATION AND SUBSIDIARIES**

Akron, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
University of Akron Research Foundation and Subsidiaries
Goodyear Polymer Center
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We have reviewed the *Independent Auditor's Report* of the University of Akron Research Foundation and Subsidiaries, Summit County, prepared by Crowe LLP, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The University of Akron Research Foundation and Subsidiaries is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 16, 2020

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THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
Akron, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The University of Akron Research Foundation and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Akron Research Foundation and Subsidiaries (the "Research Foundation"), a discretely presented component unit of The University of Akron, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, cash flows and statements of functional expenses for the years then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Akron Research Foundation and Subsidiaries as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Research Foundation has adopted Accounting Standards Update 2018-08 - *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and Accounting Standard Update 2014-09 – *Revenue from Contracts with Customers (Topic 606)* for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statement of Financial Position and the Consolidating Statement of Activities, as identified in the table of contents, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and are 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 other 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020 on our consideration of The University of Akron Research Foundation and Subsidiaries' 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 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 The University of Akron Research Foundation and Subsidiaries' internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Columbus, Ohio
October 12, 2020

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,398,225	\$ 1,702,809
Short-term investments (Notes 4 and 5)	6,894,495	7,501,610
Receivables - Net (Note 6)	1,374,757	916,882
Property held for sale (Notes 2 and 3)	415,000	-
Prepaid expenses and other	<u>201,085</u>	<u>228,497</u>
Total current assets	10,283,562	10,349,798
Long-term investments (Note 4)	858,819	771,583
Property, plant, and equipment - Net (Note 7)	<u>3,836,874</u>	<u>4,614,776</u>
Total long-term assets	<u>4,695,693</u>	<u>5,386,359</u>
Total assets	<u>\$ 14,979,255</u>	<u>\$ 15,736,157</u>
LIABILITIES AND NET ASSETS		
Accounts payable (Note 8)	\$ 3,323,081	\$ 3,941,820
Accrued expenses	922,043	564,248
Deferred revenue (Note 9)	665,910	591,427
Current portion of note payable (Note 10)	70,134	87,563
Fair value of interest rate swap (Notes 5 and 10)	<u>147,146</u>	<u>159,895</u>
Total current liabilities	5,128,314	5,344,953
Long-term note payable (Note 10)	<u>2,205,340</u>	<u>2,253,224</u>
Total liabilities	7,333,654	7,598,177
Net assets without donor restrictions		
University of Akron Research Foundation and Subsidiaries	<u>7,645,601</u>	<u>8,137,980</u>
Total net assets	<u>7,645,601</u>	<u>8,137,980</u>
Total liabilities and net assets	<u>\$ 14,979,255</u>	<u>\$ 15,736,157</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Polymer training	\$ 859,503	\$ 922,235
Sponsored research	694,332	418,122
Experimental services	304,630	386,934
Rental income	585,766	631,743
License royalties and fees	294,555	224,818
Research funding	220,631	250,424
Investment income	164,796	247,617
Patent fee reimbursement	638,433	604,072
Realized and unrealized gain on investments	124,765	430,895
In-kind contributions	25,000	25,000
Other income	<u>215,913</u>	<u>213,582</u>
Total revenues	4,128,324	4,355,442
Expenses		
Program services:		
Polymer training	782,396	687,732
Direct costs	425,785	354,528
Allocated indirect costs	164,316	144,163
Research support	861,752	676,006
Experimental services	220,791	336,973
Royalty distributions	119,348	121,023
Bad debt expense	82,571	97,019
Depreciation and amortization expense	<u>415,719</u>	<u>399,218</u>
Total program services	3,072,678	2,816,662
Support services:		
Wages and benefits	617,009	690,944
Building operating	535,832	483,200
Impairment of property (Note 2)	156,269	-
Interest (income) loss - Change in swap value (Note 10)	(12,749)	6,651
Interest expense	140,551	129,801
Public relations	18,430	23,096
Professional fees	28,870	27,000
Office expense	31,069	39,475
Insurance	<u>32,744</u>	<u>32,397</u>
Total support services	<u>1,548,025</u>	<u>1,432,564</u>
Total expenses	<u>4,620,703</u>	<u>4,249,226</u>
Change in net assets	(492,379)	106,216
Net assets - beginning of year	<u>8,137,980</u>	<u>8,031,764</u>
Net assets - end of year	<u>\$ 7,645,601</u>	<u>\$ 8,137,980</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (492,379)	\$ 106,216
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Noncash items:		
Depreciation and amortization expense	415,719	399,218
Impairment of property	156,269	-
Bad debt expense	82,751	97,019
Realized and unrealized (gain) loss on securities	59,104	(297,488)
Change in interest rate swap	(12,749)	6,651
Purchase of long-term investment	-	(219,819)
Changes in operating assets and liabilities:		
Receivables	(540,626)	(83,529)
Prepaid expenses	6,107	(43,506)
Payables and accrued expenses	(260,944)	443,473
Deferred revenue	<u>74,483</u>	<u>(99,953)</u>
Net cash and cash equivalents (used in) provided by operating activities	(512,265)	308,282
Cash flows from investing activities		
Purchases of investments	(1,388,728)	(247,019)
Proceeds from sales of investments	1,849,503	-
Purchase of property and equipment	<u>(187,781)</u>	<u>(241,907)</u>
Net cash and cash equivalents provided by (used in) investing activities	272,994	(488,926)
Cash flows from financing activities		
Payments on debt	<u>(65,313)</u>	<u>(81,708)</u>
Decrease in cash and cash equivalents	(304,584)	(262,352)
Cash and cash equivalents - beginning of year	<u>1,702,809</u>	<u>1,965,161</u>
Cash and cash equivalents - end of year	<u>\$ 1,398,225</u>	<u>\$ 1,702,809</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 108,442	\$ 129,801
In-kind contribution disclosure	25,000	25,000
Realized loss in long-term investment	-	179,098

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020

Expenses	Research and Commercialization	Polymer Training	Innovation Campus	Total Program	Research	Innovation Campus	Administration	Total Support Services	Total
Contracted – Polymer training	\$ -	\$ 782,396	\$ -	\$ 782,396	\$ -	\$ -	\$ -	\$ -	\$ 782,396
Contracted – Direct and indirect costs	378,099	212,002	-	590,101	-	-	-	-	590,101
Contracted – Research support	861,752	-	-	861,752	-	-	-	-	861,752
Contracted – Experimental services	220,791	-	-	220,791	-	-	-	-	220,791
Contracted – Royalty distributions	119,348	-	-	119,348	-	-	-	-	119,348
Bad debt expense	82,571	-	-	82,571	-	-	-	-	82,571
Wage and benefit expense	-	-	-	-	428,896	-	188,113	617,009	617,009
Building operating expense	-	-	-	-	-	535,832	-	535,832	535,832
Impairment of property	-	-	-	-	-	-	156,269	156,269	156,269
Interest income – Change in swap value	-	-	-	-	-	(12,749)	-	(12,749)	(12,749)
Interest expense	-	-	-	-	-	140,551	-	140,551	140,551
Conference and travel	-	-	-	-	18,430	-	-	18,430	18,430
Depreciation and amortization expense	201,927	-	213,792	415,719	-	-	-	-	415,719
Professional fees	-	-	-	-	-	-	28,870	28,870	28,870
Office expense	-	-	-	-	20,375	-	10,694	31,069	31,069
Insurance	-	-	-	-	32,744	-	-	32,744	32,744
Total expenses	\$ 1,864,488	\$ 994,398	\$ 213,792	\$ 3,072,678	\$ 500,445	\$ 663,634	\$ 383,946	\$ 1,548,025	\$ 4,620,703

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

Expenses	Research and Commercialization	Polymer Training	Innovation Campus	Total Program	Research	Innovation Campus	Administration	Total Support Services	Total
Contracted – Polymer training	\$ -	\$ 687,732	\$ -	\$ 687,732	\$ -	\$ -	\$ -	\$ -	\$ 687,732
Contracted – Direct and indirect costs	279,137	219,554	-	498,691	-	-	-	-	498,691
Contracted – Research support	676,006	-	-	676,006	-	-	-	-	676,006
Contracted – Experimental services	336,973	-	-	336,973	-	-	-	-	336,973
Contracted – Royalty distributions	121,023	-	-	121,023	-	-	-	-	121,023
Bad debt expense	97,019	-	-	97,019	-	-	-	-	97,019
Wage and benefit expense	-	-	-	-	517,426	-	173,518	690,944	690,944
Building operating expense	-	-	-	-	-	483,200	-	483,200	483,200
Interest income – Change in swap value	-	-	-	-	-	6,651	-	6,651	6,651
Interest expense	-	-	-	-	-	129,801	-	129,801	129,801
Conference and travel	-	-	-	-	23,096	-	-	23,096	23,096
Depreciation and amortization expense	199,886	-	199,332	399,218	-	-	-	-	399,218
Professional fees	-	-	-	-	-	-	27,000	27,000	27,000
Office expense	-	-	-	-	26,268	-	13,207	39,475	39,475
Insurance	-	-	-	-	32,397	-	-	32,397	32,397
Total expenses	\$ 1,710,044	\$ 907,286	\$ 199,332	\$ 2,816,662	\$ 599,187	\$ 619,652	\$ 213,725	\$ 1,432,564	\$ 4,249,226

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 - ORGANIZATION

The University of Akron Research Foundation and Subsidiaries (the "Research Foundation") was incorporated on November 14, 2001 to promote, encourage, and provide assistance to the research activities of the University of Akron (the "University"). The Research Foundation was granted tax-exempt status according to the provisions of Section 501(c)(3) of the Internal Revenue Service on August 4, 2003.

The Research Foundation is governed by an 11-member board of directors (the "Board"). The Board includes the University president, the University interim director of research initiatives, and three University directors whose appointments are directed by the University trustees and made by the University president. There are six non-University members elected by the Board.

The Research Foundation has two wholly owned subsidiaries for the fiscal years ended June 30, 2020 and 2019. Akron Innovation Campus LLC (AIC) and PolyMedTech, Inc. (PMT) are consolidated in the fiscal year 2020 and 2019 financial statements.

AIC was formed in 2007 to hold two buildings and related property.

PMT was formed as a C corporation by the Research Foundation to develop wound closure adhesives based on the research of the University's faculty. During fiscal year 2013, the Research Foundation provided the operating capital required to start the company and is the sole stockholder as of June 30, 2020 and 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The consolidated financial statements of the Research Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation: The consolidated financial statements include the accounts of the Research Foundation and its owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Recently Adopted Accounting Guidance: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU has superseded the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Research Foundation applied the amendments in this ASU for the period ended June 30, 2020.

The Research Foundation implemented ASU 2014-19 using a full retrospective method of application to all contracts. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-19. As a result, no cumulative effect adjustment was recorded upon adoption.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Research Foundation adopted ASU 2018-08 using the modified retrospective approach and there was no material impact on the financial statements or footnote disclosures.

Revenue Recognition

Polymer Training

The Research Foundation has partnered with the Saudi Basic Industries Corporation and the Higher Institute for Elastomer Industries (Institute) to provide the training, teaching, management and other academic resources to advance polymer and materials education through the Institute. The current agreement extends through August 31, 2020. The related polymer training revenue is recognized as costs are incurred on a cost reimbursement basis. Funds are received in advance each quarter. These funds are included in deferred revenue on the consolidated statement of financial position until earned.

A summary of changes in contract liabilities is as follows:

	<u>June 30, 2019</u>	<u>Revenue Recognized</u>	<u>Additions</u>	<u>June 30, 2020</u>
Deferred revenue	\$ 329,936	\$ (859,503)	\$922,752	\$ 393,185

	<u>June 30, 2018</u>	<u>Revenue Recognized</u>	<u>Additions</u>	<u>June 30, 2019</u>
Deferred revenue	\$ 408,640	\$ (922,235)	\$843,531	\$ 329,936

Sponsored Research

Sponsored research contracts are agreements for specific research, which are performed for a sponsor by the University largely under three-party agreements. The revenue is received by and maintained within the Research Foundation's accounting records, while the direct costs associated with the contracts are incurred by and reflected within the University's accounting records.

Effective March 2015, sponsored research contracts largely became two-party agreements between the sponsor and the University. The Research Foundation does not participate directly in sponsored research, except to complete current projects and to facilitate projects for the University, as needed.

The Research Foundation recognizes sponsored research contract revenue prorated based upon the direct costs incurred on each sponsored research contract. The prorated revenue closely approximates the percentage of work completed for each contract.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Experimental Services

The Research Foundation facilitates experimental services for professors by managing agreements between the respective corporate customer and the University. The Research Foundation invoices and collects the fees for these services. Revenue is recognized as services are provided.

Patent Fee Reimbursement

The Research Foundation assists the University of Akron in securing patents in connection with its research and licensing. The legal fees incurred to secure these patents are reimbursed by licensees. Revenue is recorded as the underlying expenses are incurred. The expenses associated with securing the patents are recorded as research support expense on the consolidated statement of activities.

Other

Other revenue is recognized as the applicable service is performed.

The Research Foundation has identified performance obligations related to its facility rental revenue, licensing fees, and other services and recognizes revenue at the point in time that goods and services are provided to customers.

Functional Allocation of Expenses: The consolidated statement of activities reflects certain categories of expenses attributable to the programs and supporting functions of the Research Foundation. Program Activities include research and commercialization, polymer training and the Akron Innovation Campus. Supporting Activities include administrative support. The Consolidated Statement of Functional Expenses presents these functional expenses by their natural classification for the fiscal years ended June 30, 2020 and 2019. Costs are allocated between the various programs and support activities on an actual basis, where available, or based upon the functional expense area most related to their purpose.

Cash and Cash Equivalents: The Research Foundation considers all demand deposits, certificates of deposit, and money market funds with an original maturity of three months or less to be cash and cash equivalents. In addition, the Research Foundation maintains cash and cash equivalents that exceed federally insured amounts. The Research Foundation continually monitors its balance to minimize risk of loss.

Concentration of Credit Risk: The Research Foundation maintains cash balances at three banks in accounts which are insured by the Federal Deposit Insurance Corporation. These cash deposits may, at times, exceed the federally insured limits. The Research Foundation evaluates the financial institutions with which it deposits funds; however, it is not practical to independently insure all cash deposits. The Research Foundation has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices. Investments not publicly traded are either stated at cost, which approximates market, or at appraised market values when applicable. Investments in which the Research Foundation has more than a minor interest are accounted for using the equity method. Under the equity method, the investment is carried at cost, adjusted for the Research Foundation's proportionate share of undistributed earnings or losses. Realized gains (losses) on investments are the difference between the proceeds received and the cost of investments sold. Net appreciation (depreciation) in the fair value of investments (including realized gains (losses) and unrealized gains (losses) and dividends and interest) is included in revenue in the consolidated statement of activities.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Held for Sale: The Research Foundation is in the process of selling the building and related improvements located at 495 Wolf Ledges Parkway. This property is presented in the consolidated statement of financial position at June 30, 2020 as property held for sale. Depreciation has been discontinued on the property. The acquisition value of \$791,858 less impairment of property of \$156,269 as of June 30, 2020 is \$635,589 and related accumulated depreciation is \$220,589.

Risks and Uncertainties: The Research Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

During December 2019, the Novel Coronavirus (COVID-19) was discovered in the country of China and has since spread to other countries, including the U.S. The COVID-19 was subsequently declared a worldwide pandemic by the World Health Organization. On March 13, 2020, the President declared a National Emergency Concerning the COVID-19 outbreak. The Research Foundation anticipates an economic impact resulting from the effects of the COVID-19 outbreak on the national, state, and local economies. The Research Foundation has currently not determined what material impact this outbreak could potentially have on revenues such as funding, investments, and other fee or reimbursement revenues related to economic conditions.

Prepaid Expenses: Insurance and other expenses were paid in advance. The costs related to the current fiscal year are recognized as expense and payments for expenses yet to be incurred are reflected in prepaid expenses on the consolidated statement of financial position.

Property, Plant, and Equipment: Property, plant, and equipment are stated at cost. The straight-line method of depreciation is used over the assets' estimated useful lives. The buildings' useful life is 39 years; equipment is depreciated over five years. Tenant improvements are depreciated over the term of the lease and building improvement useful lives range from 10 to 20 years. The cost and related accumulated depreciation of assets disposed of are eliminated from the accounts in the year of disposal.

Fair Value of Financial Instruments: The estimated fair value amounts have been determined by the Research Foundation using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Research Foundation could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. All investment securities are carried at fair value in the consolidated financial statements. The fair values of short-term financial instruments, including cash equivalents, receivables, and accounts payable approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments. The inputs are based upon terms in contractual agreements. The fair values of these financial instruments are determined using Level 1 inputs.

Interest Rate Swap: The Research Foundation is exposed to certain risks in the normal course of its business operations. The main risks are those relating to the variability of cash flows, which are managed through the use of derivatives. All derivative financial instruments are reported in the consolidated statement of financial position at fair value.

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THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Research Foundation has entered into an interest rate swap agreement maturing in May 2022. Gains or losses and changes in the valuation of the swap are recognized on the consolidated statement of activities.

Deferred Revenue: Cash received in advance of services being provided is recorded as deferred revenue. In the subsequent period when the revenue recognition criteria are met, revenue is recognized and the deferred revenue is reduced accordingly.

University Support of the Research Foundation: University employees and affiliates provide administrative and management functions for the Research Foundation. The services and office space constitute in-kind contributions to the Research Foundation, the values of which are included as in-kind contributions and support service expenses on the consolidated statement of activities. For the fiscal years ended June 30, 2020 and 2019, in-kind support was provided by the University and others in the amount of \$25,000.

Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Research Foundation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: The consolidated financial statements and related disclosures included evaluation of events up through and including October 12, 2020, which is the date the consolidated financial statements were available to be issued. On September 30, 2020, the property at 495 Wolf Ledges Parkway was sold for \$415,000.

After fiscal year-end, a termination agreement was reached and the Research Foundation will contribute toward the settlement in the amount of \$350,000. The amount will be paid during January 2021.

Upcoming Accounting Pronouncements: In February 2016, FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU did not significantly change the accounting requirements for lessors and accordingly, application of the new lease standard is not expected to have a significant effect on the Research Foundation's consolidated financial statements. The new lease guidance will be effective for the Research Foundation's year ending June 30, 2021 and will be applied using a cumulative effect adjustment on adoption to the beginning of the earliest period presented.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Research Foundation's financial assets available within one year of the consolidated statement of financial position date for general expenses are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,398,225	\$ 1,702,809
Short-term investments (Notes 4 and 5)	6,894,495	7,501,610
Accounts receivable (Note 6)	1,374,757	916,882
Property held for sale (Note 2)	<u>415,000</u>	<u>-</u>
	10,082,477	10,121,301
Amounts deferred (Note 9)	<u>(665,910)</u>	<u>(591,427)</u>
Total financial assets available	<u>\$ 9,416,567</u>	<u>\$ 9,529,874</u>

As part of the Research Foundation's liquidity management, the Research Foundation invests its financial assets to be available as its general expenses, liabilities, and other obligations come due.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE 4 - INVESTMENTS

Investments at June 30, 2020 and 2019 are presented in the consolidated financial statements at fair market value and are composed of the following:

	<u>2020</u>	<u>2019</u>
Marketable securities - Stock equities and mutual funds (Note 5)	\$ 6,894,495	\$ 7,501,610
Alternative investments:		
Closely held stock and private equity (equity method)	541,850	385,300
Closely held stock and private equity (cost method)	<u>316,969</u>	<u>386,283</u>
Total alternative investments	<u>858,819</u>	<u>771,583</u>
Total investments	<u>\$ 7,753,314</u>	<u>\$ 8,273,193</u>

The Research Foundation's marketable securities are held with Wells Fargo and advised by the Legacy Strategic Asset Management Group. Earnings on invested amounts are retained in the fund for reinvestment until such time as the Research Foundation authorizes delivery of all or part of the funds to or for the benefit of the University.

The Research Foundation does not exercise significant influence over the operating and financial policies of its alternative investments. These investments are periodically evaluated to determine if there have been any other-than-temporary declines below book value. A variety of factors is considered when determining if a decline in fair value below book value is other than temporary, including, among others, the financial condition and prospects of the investee.

NOTE 5 - FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Research Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is limited, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Research Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

The Research Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

The following tables present information about the Research Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Research Foundation to determine those fair values.

Assets and Liabilities Measured at Fair Value On a Recurring Basis at June 30, 2020:				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance June 30, 2020
Assets - Short-term investments				
Exchange traded funds:				
Large growth	\$ 858,409	\$ -	\$ -	\$ 858,409
Large value	819,402	-	-	819,402
Mutual funds:				
Fixed income	1,841,812	-	-	1,841,812
Small- and mid-cap growth	768,285	-	-	768,285
Alternatives	1,123,013	-	-	1,123,013
Internationals	<u>1,483,574</u>	<u>-</u>	<u>-</u>	<u>1,483,574</u>
Total assets	<u>\$ 6,894,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,894,495</u>
Liabilities - Interest rate swap	<u>\$ -</u>	<u>\$ (147,146)</u>	<u>\$ -</u>	<u>\$ (147,146)</u>

Assets and Liabilities Measured at Fair Value On a Recurring Basis at June 30, 2019:				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance June 30, 2019
Assets - Short-term investments				
Exchange traded funds:				
Large growth	\$ 903,304	\$ -	\$ -	\$ 903,304
Large value	869,908	-	-	869,908
Mutual funds:				
Fixed income	1,949,858	-	-	1,949,858
Small- and mid-cap growth	916,539	-	-	916,539
Alternatives	1,327,361	-	-	1,327,361
Internationals	<u>1,534,640</u>	<u>-</u>	<u>-</u>	<u>1,534,640</u>
Total assets	<u>\$ 7,501,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,501,610</u>
Liabilities - Interest rate swap	<u>\$ -</u>	<u>\$ (159,895)</u>	<u>\$ -</u>	<u>\$ (159,895)</u>

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

The fair value of the interest rate swap at June 30, 2020 and 2019 was determined primarily based on Level 2 inputs. The Research Foundation's estimate of the fair value of the swap is based on a valuation model that takes into account estimates of changes in interest rates based on yield curves and other market-based information as provided by the bank.

NOTE 6 - RECEIVABLES

Receivables consist of monies due to the Research Foundation at June 30, 2020 and 2019 from sponsored research contracts, licenses, rents, and other. After known uncollectible accounts and the polymer training receivable are deducted, approximately 5 percent of the remaining receivable balance is allocated to a general allowance for doubtful accounts.

	<u>2020</u>	<u>2019</u>
Sponsored research	\$ 201,440	\$ 80,963
Polymer training	106,827	88,217
Patent	701,765	509,212
Experimental services	94,123	171,019
Licenses	158,302	4,969
Other	177,300	107,502
Allowance for doubtful accounts	<u>(65,000)</u>	<u>(45,000)</u>
Total	<u>\$ 1,374,757</u>	<u>\$ 916,882</u>

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 290,607	\$ 406,925
Buildings and building improvements	5,423,877	5,911,635
Equipment	<u>2,373,478</u>	<u>2,373,478</u>
Total property, plant, and equipment	8,087,962	8,692,038
Less accumulated depreciation	<u>(4,251,088)</u>	<u>(4,077,262)</u>
Net carrying amount	<u>\$ 3,836,874</u>	<u>\$ 4,614,776</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$394,414 and \$378,016, respectively.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable are apportioned as follows at June 30:

	<u>2020</u>	<u>2019</u>
The University of Akron	\$ 3,232,714	\$ 3,731,901
Other nonrelated parties	<u>90,367</u>	<u>209,919</u>
Total	<u>\$ 3,323,081</u>	<u>\$ 3,941,820</u>

The Research Foundation reimburses the University for direct and certain indirect costs incurred by the University related to sponsored research contracts managed by the Research Foundation. The balance incurred by the University before year end is included in the payable to the University of Akron at June 30, 2020 and 2019.

The Research Foundation is also permitted to recover indirect costs related to sponsored research contracts. A portion of those indirect costs is payable to the principal investigator. The undistributed indirect costs at June 30, 2020 and 2019 are included in the payable to the University of Akron.

NOTE 9 - DEFERRED REVENUE

The Research Foundation receives advance payment for certain sponsored research contracts, a polymer training program, and rental income, which is recorded as deferred revenue until earned. At June 30, 2020 and 2019, the Research Foundation had deferred revenue from the following sources:

	<u>2020</u>	<u>2019</u>
Polymer training	\$ 393,185	\$ 329,936
Sponsored research and license	200,716	201,454
Rental income	<u>72,009</u>	<u>60,037</u>
Total	<u>\$ 665,910</u>	<u>\$ 591,427</u>

NOTE 10 - NOTE PAYABLE

AIC entered into a \$2,925,000 15-year note with Citizens Bank on May 14, 2007 for the purchase of two buildings on Wolf Ledges in Akron, Ohio. This loan included an interest rate swap agreement (swap) with a swap counterparty. The original notional amount of the loan was \$1,950,000 with a fixed rate of 6.39%.

The original notional amount of the variable portion of the loan was \$975,000. The interest rate on the variable portion is based on the one-month LIBOR plus 1 percent, an effective rate of percent 1.19% and 2.41% at June 30, 2020 and 2019, respectively.

The balance due on the note at June 30, 2020 and 2019 was \$2,275,474 and \$2,340,787, respectively.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2020 and 2019

NOTE 10 - NOTE PAYABLE (Continued)

As of June 30, 2020 and 2019, the swap agreement is summarized as follows:

Pay-fixed interest rate swap
 (receive-variable):

	Change in Fair Value		Fair Value		Notional
	Classification	Amount	Classification	Amount	
June 30, 2020	Interest income	\$ (12,749)	Debt	\$ 147,146	\$ 1,501,863
June 30, 2019	Interest expense	\$ 6,651	Debt	\$ 159,895	\$ 1,560,238

Interest income and expense on the swap are reported within support service expenses on the consolidated statement of activities.

The note payable is collateralized by certain real property, all personal property, and future rents of AIC. The Research Foundation has guaranteed the loan.

The note was amended on July 8, 2020 to defer payment for the months of April 2020 through September 2020. Any accumulated interest and deferred principal will be added to the balance due when the loan matures.

Under the agreement with the bank, the Research Foundation is subject to various financial covenants. As of June 30, 2020 and 2019, the Research Foundation was in compliance with all such covenants with the exception of one financial covenant for which a waiver was obtained from Citizens Bank. Future maturities of debt (principal only) for the years ending June 30 are as follows:

Years Ending <u>June 30</u>	<u>Amount</u>
2021	\$ 70,134
2022	<u>2,205,340</u>
Total	<u>\$ 2,275,474</u>

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 11 - OPERATING LEASE RENTALS

AIC and the Research Foundation have operating lease agreements to lease space to 19 tenants at its three professional buildings. Rental income is recognized over the life of the operating lease, with leases expiring through June 30, 2029. As of June 30, 2020 and 2019, leased buildings and building improvements are recorded within property, plant, and equipment at a cost of \$6,099,416 and \$5,911,635, respectively, with accumulated depreciation of \$2,486,495 and \$2,255,751, respectively.

As of June 30, 2020, the minimum future rentals on the noncancelable portion of the operating lease rentals aggregate \$1,189,913 and are due in the fiscal years ending June 30 as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2021	\$ 192,840
2022	265,335
2023	178,633
2024	130,052
Thereafter	<u>423,053</u>
Total	<u>\$ 1,189,913</u>

NOTE 12 - RELATED PARTIES

The Research Foundation has a contractual agreement with Akron Ascent Innovation (AAI), RooSense and Ocius, Inc. to perform certain services. The Research Foundation has minority interest in these companies. For the years ended June 30, 2020 and 2019, these companies reimbursed the Research Foundation \$25,899 and \$47,043, respectively for expenses paid on their behalf. As of June 30, 2020 and 2019 the Research Foundation has recorded a receivable due from these companies \$43,765 and \$11,880, respectively. These amounts are included in net receivables on the consolidated statements of financial position.

The University of Akron is a public institution offering a broad array of programs. During the years ended June 30, 2020 and 2019, the Research Foundation transferred \$967,520 and \$1,000,652, respectively, to the University for research and polymer training expenses.

NOTE 13 - EMPLOYEES' RETIREMENT PLAN

The Research Foundation offers its eligible employees the opportunity to participate in the retirement plan offered by The University of Akron Research Foundation. The Research Foundation matches contributions at 100 percent of employee contributions up to 3 percent plus 50 percent of the employee contributions between 3 percent and 5 percent of participant compensation. The Research Foundation's total contribution was \$23,390 and \$37,409 for the fiscal years ended June 30, 2020 and 2019, respectively.

SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2020

	University of Akron Research Foundation	Akron Innovation Campus LLC	PolyMedTech, Inc.	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 1,327,587	\$ 63,317	\$ 7,321	\$ -	\$ 1,398,225
Short-term investments	6,894,495	-	-	-	6,894,495
Receivables – Net	1,353,803	20,954	-	-	1,374,757
Property held for sale	415,000	-	-	-	415,000
Prepaid expenses and other	<u>158,782</u>	<u>42,303</u>	<u>-</u>	<u>-</u>	<u>201,085</u>
Total current assets	10,149,667	126,574	7,321	-	10,283,562
Long-term investments	868,870	-	-	(10,051)	858,819
Investment in subsidiary	2,262,397	-	-	(2,262,397)	-
Property, plant, and equipment - Net	<u>388,297</u>	<u>3,448,577</u>	<u>-</u>	<u>-</u>	<u>3,836,874</u>
Total long-term assets	<u>3,519,564</u>	<u>3,448,577</u>	<u>-</u>	<u>(2,272,448)</u>	<u>4,695,693</u>
Total assets	<u>\$ 13,669,231</u>	<u>\$ 3,575,151</u>	<u>\$ 7,321</u>	<u>\$ (2,272,448)</u>	<u>\$ 14,979,255</u>
LIABILITIES AND NET ASSETS (DEFICIT)					
Liabilities					
Accounts payable	\$ 3,296,555	\$ 26,526	\$ 51	\$ (51)	\$ 3,323,081
Accrued expenses	784,405	137,638	-	-	922,043
Deferred revenue	597,626	68,284	-	-	665,910
Current portion of note payable	-	70,134	-	-	70,134
Fair value of interest rate swap	<u>-</u>	<u>147,146</u>	<u>-</u>	<u>-</u>	<u>147,146</u>
Total current liabilities	4,678,586	449,728	51	(51)	5,128,314
Long-term note payable	<u>-</u>	<u>2,205,340</u>	<u>-</u>	<u>-</u>	<u>2,205,340</u>
Total liabilities	4,678,586	2,655,068	51	(51)	7,333,654
Member contributions	<u>-</u>	<u>2,262,397</u>	<u>10,000</u>	<u>(2,272,397)</u>	<u>-</u>
Net assets (deficit) without donor restrictions					
University of Akron Research Foundation and And Subsidiaries	4,678,586	4,917,465	10,051	(2,272,448)	7,333,654
Total net assets (deficit)	<u>8,990,645</u>	<u>(1,342,314)</u>	<u>(2,730)</u>	<u>-</u>	<u>7,645,601</u>
Total liabilities and net assets (deficit)	<u>\$ 13,669,231</u>	<u>\$ 3,575,151</u>	<u>\$ 7,321</u>	<u>\$ (2,272,448)</u>	<u>\$ 14,979,255</u>

See Independent Auditor's Report

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	University of Akron Research Foundation	Akron Innovation Campus LLC	PolyMedTech, Inc.	Eliminations	Total
Revenues					
Polymer training	\$ 859,503	\$ -	\$ -	\$ -	\$ 859,503
Sponsored research	694,332	-	-	-	694,332
Experimental services	304,630	-	-	-	304,630
Rental income	48,564	589,762	-	(52,560)	585,766
License royalties and fees	294,555	-	-	-	294,555
Research funding	220,631	-	-	-	220,631
Interest income	164,796	-	-	-	164,796
Patent fee reimbursement	638,433	-	-	-	638,433
Realized and unrealized gain on investments	124,765	-	-	-	124,765
In-kind contributions	25,000	-	-	-	25,000
Other income	215,913	-	-	-	215,913
Total revenues	<u>3,591,122</u>	<u>589,762</u>	<u>-</u>	<u>(52,560)</u>	<u>4,128,324</u>
Expenses					
Polymer training expense	782,396	-	-	-	782,396
Direct costs	425,785	-	-	-	425,785
Allocated indirect costs	164,316	-	-	-	164,316
Research support	861,752	-	-	-	861,752
Experimental services	219,686	-	1,105	-	220,791
Royalty distributions	119,348	-	-	-	119,348
Bad debt expense	82,571	-	-	-	82,571
Wage and benefit expense	617,009	-	-	-	617,009
Building operating expense	80,938	454,894	-	-	535,832
Impairment of property	156,269	-	-	-	156,269
Interest income - Change in swap value	-	(12,749)	-	-	(12,749)
Interest expense	-	140,551	-	-	140,551
Public relations	18,430	-	-	-	18,430
Depreciation and amortization expense	201,927	213,792	-	-	415,719
Professional fees	28,870	-	-	-	28,870
Office expense	83,629	-	-	(52,560)	31,069
Insurance	32,744	-	-	-	32,744
Total expenses	<u>3,875,670</u>	<u>796,488</u>	<u>1,105</u>	<u>(52,560)</u>	<u>4,620,703</u>
Change in Net Assets	(284,548)	(206,726)	(1,105)	-	(492,379)
Net Assets (Deficit) Without Donor Restrictions – Beginning of year	<u>9,275,193</u>	<u>(1,135,588)</u>	<u>(1,625)</u>	<u>-</u>	<u>8,137,980</u>
Net Assets (Deficit) - Without Donor Restrictions – End of year	<u>\$ 8,990,645</u>	<u>\$ (1,342,314)</u>	<u>\$ (2,730)</u>	<u>\$ -</u>	<u>\$ 7,645,601</u>

See Independent Auditor's Report

INDEPENDENT AUDITOR'S 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*

To Management and the Board of Directors
The University of Akron Research Foundation and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 The University of Akron Research Foundation and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2020.

Internal Control Over Financial Reporting

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



Crowe LLP

Columbus, Ohio
October 12, 2020

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OHIO AUDITOR OF STATE KEITH FABER



UNIVERSITY OF AKRON RESEARCH FOUNDATION

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/31/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov