

AKRON RESEARCH FOUNDATION  
SUMMIT COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Directors  
The University of Akron Research Foundation and Subsidiaries  
Goodyear Polymer Center  
Room 314  
Akron, Ohio 44325

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, 2020 through June 30, 2021. 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 13, 2021

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

Akron, Ohio

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
Akron, Ohio

CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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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, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows 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.

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(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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 22, 2021 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 the effectiveness of The University of Akron Research Foundation and Subsidiaries's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The University of Akron Research Foundation and Subsidiaries' internal control over financial reporting and compliance.



Crowe LLP

Columbus, Ohio  
October 22, 2021

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 445,406	\$ 1,398,225
Short-term investments (Notes 4 and 5)	7,336,110	6,894,495
Receivables - net (Note 6)	848,178	1,374,757
Property held for sale (Notes 2 and 3)	-	415,000
Prepaid expenses and other	<u>183,014</u>	<u>201,085</u>
Total current assets	8,812,708	10,283,562
Long-term investments (Note 4)	973,814	858,819
Property, plant, and equipment - Net (Note 7)	<u>3,546,857</u>	<u>3,836,874</u>
Total long-term assets	<u>4,520,671</u>	<u>4,695,693</u>
Total assets	<u>\$ 13,333,379</u>	<u>\$ 14,979,255</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable (Note 8)	\$ 1,602,661	\$ 3,323,081
Accrued expenses	598,531	922,043
Deferred revenue (Note 9)	106,116	665,910
Current portion of note payable (Note 10)	98,952	70,134
Fair value of interest rate swap (Notes 5 and 10)	<u>69,022</u>	<u>147,146</u>
Total current liabilities	2,475,282	5,128,314
Long-term note payable (Note 10)	2,106,898	2,205,340
Paycheck protection program loan	<u>74,792</u>	<u>-</u>
Total long-term liabilities	2,181,690	2,205,340
Total liabilities	4,656,972	7,333,654
Net assets - unrestricted	<u>8,676,407</u>	<u>7,645,601</u>
Total liabilities and net assets	<u>\$ 13,333,379</u>	<u>\$ 14,979,255</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Polymer training	\$ 155,266	\$ 859,503
Sponsored research	531,110	694,332
Experimental services	614,473	304,630
Rental income	530,409	585,766
License royalties and fees	41,698	294,555
Research funding	330,621	220,631
Investment income	314,509	164,796
Patent fee reimbursement	327,679	638,433
Realized and unrealized gain on investments	1,419,916	124,765
In-kind contributions	25,000	25,000
Bad debt expense recovery	20,000	-
Other income	<u>222,673</u>	<u>215,913</u>
Total revenues	4,533,354	4,128,324
<b>Expenses</b>		
Program services:		
Polymer training	147,572	782,396
Direct costs	319,692	425,785
Allocated indirect costs	12,279	164,316
Research support	886,226	861,752
Experimental services	541,360	220,791
Royalty distributions	30,000	119,348
Bad debt expense	-	82,571
Depreciation and amortization expense	<u>373,741</u>	<u>415,719</u>
Total program services	2,310,870	3,072,678
Support services:		
Wages and benefits	548,689	617,009
Building operating	410,108	535,832
Impairment of property (Note 2)	-	156,269
Loss on sale of property	67,076	-
Interest (income) loss - Change in swap value (Note 10)	(78,124)	(12,749)
Interest expense	125,761	140,551
Public relations	413	18,430
Professional fees	40,865	28,870
Office expense	42,185	31,069
Insurance	<u>34,705</u>	<u>32,744</u>
Total support services	<u>1,191,678</u>	<u>1,548,025</u>
Total expenses	<u>3,502,548</u>	<u>4,620,703</u>
Change in net assets	1,030,806	(492,379)
Net assets - beginning of year	<u>7,645,601</u>	<u>8,137,980</u>
Net assets - end of year	<u>\$ 8,676,407</u>	<u>\$ 7,645,601</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,030,806	\$ (492,379)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Noncash items:		
Depreciation and amortization expense	373,741	415,719
Change in provision for allowance for doubtful accounts	(34,038)	-
Loss on sale of property	67,076	156,269
Bad debt expense recovery	(20,000)	82,751
Realized and unrealized (gain) on investments	(1,440,317)	59,104
Change in interest rate swap	(78,124)	(12,749)
Changes in operating assets and liabilities:		
Receivables	590,617	(540,626)
Prepaid expenses	(433)	6,107
Payables and accrued expenses	(2,039,128)	(260,944)
Deferred revenue	<u>(559,574)</u>	<u>74,483</u>
Net cash and cash equivalents (used in) provided by operating activities	(2,109,374)	(512,265)
<b>Cash flows from investing activities</b>		
Purchases of investments	(963,547)	(1,388,728)
Proceeds from sale of building	372,008	-
Proceeds from sales of investments	1,830,943	1,849,503
Purchase of property and equipment	<u>(88,619)</u>	<u>(187,781)</u>
Net cash and cash equivalents provided by (used in) investing activities	1,150,785	272,994
<b>Cash flows from financing activities</b>		
Payments on debt	(69,022)	(65,313)
Paycheck Protection Program loan	<u>74,792</u>	<u>-</u>
Net cash and cash equivalents provided by (used in) financing activities	5,770	(65,313)
Increase (decrease) in cash and cash equivalents	(952,819)	(304,584)
Cash and cash equivalents - beginning of year	<u>1,398,225</u>	<u>1,702,809</u>
Cash and cash equivalents - end of year	<u>\$ 445,406</u>	<u>\$ 1,398,225</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 125,761	\$ 108,441
In-kind contribution disclosure	25,000	25,000

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year ended June 30, 2021

	Program Services			Total Program Services	Support Services			Total Support Services	Total
	Research and Commercialization	Polymer Training	Innovation Campus		Research	Innovation Campus	Administration		
<b>Expenses</b>									
Contracted – Polymer training	\$ -	\$ 147,572	\$ -	\$ 147,572	\$ -	\$ -	\$ -	\$ -	\$ 147,572
Contracted – Direct and indirect costs	331,971	-	-	331,971	-	-	-	-	331,971
Contracted – Research support	886,226	-	-	886,226	-	-	-	-	886,226
Contracted – Experimental services	541,360	-	-	541,360	-	-	-	-	541,360
Contracted – Royalty distributions	30,000	-	-	30,000	-	-	-	-	30,000
Wage and benefit expense	-	-	-	-	406,837	-	141,852	548,689	548,689
Building operating expense	-	-	-	-	-	410,108	-	410,108	410,108
Loss on sale of property	67,076	-	-	67,076	-	-	-	-	67,076
Interest income – Change in swap value	-	-	-	-	-	(78,124)	-	(78,124)	(78,124)
Interest expense	-	-	-	-	-	125,761	-	125,761	125,761
Conference and travel	-	-	-	-	413	-	-	413	413
Depreciation and amortization expense	166,619	-	207,122	373,741	-	-	-	-	373,741
Professional fees	-	-	-	-	-	-	40,865	40,865	40,865
Office expense	-	-	-	-	25,159	-	17,026	42,185	42,185
Insurance	-	-	-	-	34,705	-	-	34,705	34,705
<b>Total expense</b>	<b>\$ 2,023,252</b>	<b>\$ 147,572</b>	<b>\$ 207,122</b>	<b>\$ 2,377,946</b>	<b>\$ 467,114</b>	<b>\$ 457,745</b>	<b>\$ 199,743</b>	<b>\$ 1,124,602</b>	<b>\$ 3,502,548</b>

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

	<u>Program Services</u>				<u>Support Services</u>				<u>Total</u>
	<u>Research and Commercialization</u>	<u>Polymer Training</u>	<u>Innovation Campus</u>	<u>Total Program Services</u>	<u>Research</u>	<u>Innovation Campus</u>	<u>Administration</u>	<u>Total Support Services</u>	
<b>Expenses</b>									
Contracted – Polymer training	\$ -	\$ 782,396	\$ -	\$ 782,396	\$ -	\$ -	\$ -	\$ -	\$ 782,396
Contracted – Direct and indirect costs	425,785	164,316	-	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
<b>Total expenses</b>	<b><u>\$ 1,912,174</u></b>	<b><u>\$ 946,712</u></b>	<b><u>\$ 213,792</u></b>	<b><u>\$ 3,072,678</u></b>	<b><u>\$ 500,445</u></b>	<b><u>\$ 663,634</u></b>	<b><u>\$ 383,946</u></b>	<b><u>\$ 1,548,025</u></b>	<b><u>\$ 4,620,703</u></b>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**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 vice president for research, 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 years ended June 30, 2021 and 2020 Akron Innovation Campus LLC (AIC) and PolyMedTech, Inc. (PMT) are consolidated in the fiscal year 2021 and 2020 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, 2021 and 2020.

**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.

**Revenue Policy:**

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 previous contract ended August 31, 2020. The Research Foundation is in negotiations regarding signing another contract. 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.

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THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2021 and 2020

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A summary of changes in contract liabilities is as follows

	<u>June 30, 2020</u>	<u>Revenue Recognized</u>	<u>Adjustments</u>	<u>June 30, 2021</u>
Deferred revenue	\$ 393,185	\$ (155,266)	\$ (237,919)	\$ -
	<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

As the contract ended August 31, 2020, all unused funds were to be returned to the Saudi Corporation. This was recorded as an adjustment to deferred revenue.

*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.

*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 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 or services are provided to customers.

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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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, 2021 and 2020. 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.

Property Held for Sale: As of June 30, 2020 the Research Foundation was in the process of selling the building and related improvements located at 495 Wolf Ledges Parkway. This property was presented in the consolidated statement of financial position at June 30, 2020 as property held for sale. Depreciation was 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. In September 2020, the Research Foundation sold the building and related improvements for a final sales price of \$415,000. The Research Foundation recognized a loss on the sale of \$67,076.

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 world-wide 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.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

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, 2021 and 2020, 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.

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(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2021 and 2020

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2023 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 445,406	\$ 1,398,225
Short-term investments (Notes 4 and 5)	7,336,110	6,894,495
Accounts receivable (Note 6)	848,118	1,374,757
Property held for sale (Note 2)	<u>-</u>	<u>415,000</u>
Total financial assets available	<u>\$ 8,629,634</u>	<u>\$ 10,082,477</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.

**NOTE 4 - INVESTMENTS**

Investments at June 30, 2021 and 2020 are presented in the consolidated financial statements at fair market value and are composed of the following:

	<u>2021</u>	<u>2020</u>
Marketable securities - Stock equities and mutual funds (Note 5)	\$ 7,336,110	\$ 6,894,495
Alternative investments:		
Closely held stock and private equity (equity method)	662,105	541,850
Closely held stock and private equity (cost method)	<u>311,709</u>	<u>316,969</u>
Total alternative investments	<u>973,814</u>	<u>858,819</u>
Total investments	<u>\$ 8,309,924</u>	<u>\$ 7,753,314</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.

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(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**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.

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, 2021 and 2020, 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, 2021 and 2020 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, 2021:			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance June 30, 2021
Assets - Short-term investments				
Exchange traded funds:				
Large growth	\$ 975,590	\$ -	\$ -	\$ 975,590
Large value	1,016,900	-	-	1,016,900
Mutual funds:				
Fixed income	1,756,660	-	-	1,756,660
Small- and mid-cap growth	796,937	-	-	796,937
Alternatives	1,302,126	-	-	1,302,126
Internationals	<u>1,487,897</u>	<u>-</u>	<u>-</u>	<u>1,487,897</u>
Total assets	<u>\$ 7,336,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,336,110</u>
Liabilities - Interest rate swap	<u>\$ -</u>	<u>\$ (69,022)</u>	<u>\$ -</u>	<u>\$ (69,022)</u>

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021 and 2020

**NOTE 5 - FAIR VALUE MEASUREMENTS** (Continued)

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	1,483,574	-	-	1,483,574
Total assets	\$ 6,894,495	\$ -	\$ -	\$ 6,894,495
Liabilities - Interest rate swap	\$ -	\$ (147,146)	\$ -	\$ (147,146)

The fair value of the interest rate swap at June 30, 2021 and 2020 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, 2021 and 2020 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.

	2021	2020
Sponsored research	\$ 188,926	\$ 201,440
Polymer training	-	106,827
Patent	343,119	701,765
Experimental services	94,853	94,123
Licenses	50,000	158,302
Other	212,242	177,300
Allowance for doubtful accounts	(40,962)	(65,000)
Total	\$ 848,178	\$ 1,374,757

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2021 and 2020

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**NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 290,607	\$ 290,607
Buildings and building improvements	5,513,180	5,423,877
Equipment	<u>2,349,393</u>	<u>2,373,478</u>
Total property, plant, and equipment	8,153,180	8,087,962
Less accumulated depreciation	<u>(4,606,323)</u>	<u>(4,251,088)</u>
Net carrying amount	<u>\$ 3,546,857</u>	<u>\$ 3,836,874</u>

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$355,235 and \$394,414, respectively.

**NOTE 8 - ACCOUNTS PAYABLE**

Accounts payable are apportioned as follows at June 30:

	<u>2021</u>	<u>2020</u>
The University of Akron	\$ 1,453,555	\$ 3,232,714
Other nonrelated parties	<u>149,106</u>	<u>90,367</u>
Total	<u>\$ 1,602,661</u>	<u>\$ 3,323,081</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, 2021 and 2020.

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, 2021 and 2020 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, 2021 and 2020, the Research Foundation had deferred revenue from the following sources:

	<u>2021</u>	<u>2020</u>
Polymer training	\$ -	\$ 393,185
Sponsored research and license	49,719	200,716
Rental income	<u>56,397</u>	<u>72,009</u>
Total	<u>\$ 106,116</u>	<u>\$ 665,910</u>

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(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2021 and 2020

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**NOTE 10 - NOTE PAYABLE AND PPP LOAN**

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 0.10% and 0.19% at June 30, 2021 and 2020, respectively.

The balance due on the note at June 30, 2021 and 2020 was \$2,205,850 and \$2,275,474, respectively.

As of June 30, 2021, and 2020, the swap agreement is summarized as follows:

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

	<u>Change in Fair Value</u>		<u>Fair Value</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
June 30, 2021	Interest income	\$ (78,124)	Debt	\$ 69,022	\$ 1,434,142
June 30, 2020	Interest income	\$ (12,749)	Debt	\$ 147,146	\$ 1,501,863

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.

Under the agreement with the bank, the Research Foundation is subject to various financial covenants. As of June 30, 2021, and 2020 the Research Foundation was in compliance with 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:

<u>Years Ending June 30</u>	<u>Amount</u>
2022	\$ 98,952
2023	<u>2,106,898</u>
Total	<u>\$ 2,205,850</u>

On January 28, 2021, the Research Foundation borrowed \$74,792 from its bank in the form of a Paycheck Protection Program loan. The balance on the note at June 30, 2021 was \$74,792. The note is recorded as a note payable in accordance with FASB Accounting Standard Codification topic 470. The note was issued pursuant to the Coronavirus Aid, Relief and Economic Security Act. The Note bears interest at 1% from January 28, 2021, the date the funds were advanced to the Research Foundation. All or a portion of the note may be forgiven in accordance with the requirements of the Program Term Note. The conditions the Research Foundation must meet to qualify for forgiveness include maintaining of certain employee retention criteria and spending the funds on payroll and other permitted expenses. All principal and interest payments have been deferred until a decision has been made by the Small Business Administration (SBA) on the forgiveness application. Any accrued interest and principal amounts that are not forgiven, must be repaid in equal monthly installments beginning on the 15th day of the month following notification from the SBA of any unforgiven amounts through the maturity date of January 28, 2026.

(Continued)



THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2021 and 2020

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**NOTE 11 - OPERATING LEASE RENTALS**

AIC and the Research Foundation have operating lease agreements to lease space to 14 tenants at its two professional buildings. Rental income is recognized over the life of the operating lease, with leases expiring through June 30, 2029. As of June 30, 2021 and 2020, leased buildings and building improvements are recorded within property, plant, and equipment at a cost of \$5,512,496 and \$6,099,416, respectively, with accumulated depreciation of \$2,265,906 and \$2,486,495, respectively.

As of June 30, 2021, the minimum future rentals on the noncancelable portion of the operating lease rentals aggregate \$1,452,913 and are due in the fiscal years ending June 30 as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2022	\$ 393,869
2023	297,991
2024	248,776
2025	180,388
2026	93,214
Thereafter	<u>238,675</u>
Total	<u>\$ 1,452,913</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, 2021 and 2020, these companies reimbursed the Research Foundation \$5,359 and \$25,899, respectively for expenses paid on their behalf. As of June 30, 2021, and 2020 the Research Foundation has recorded a receivable due from these companies for \$3,190 and \$43,765, 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, 2021 and 2020 the Research Foundation transferred \$621,791 and \$967,520, 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 \$17,665 and \$23,390 for the fiscal years ended June 30, 2021 and 2020, respectively.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent Events: The consolidated financial statements and related disclosures included evaluation of events up through and including October 22, 2021, which is the date the consolidated financial statements were available to be issued.

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**SUPPLEMENTARY INFORMATION**

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
June 30, 2021

	University of Akron Research Foundation	Akron Innovation Campus LLC	PolyMedTech, Inc.	Eliminations	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 383,720	\$ 61,666	\$ 20	\$ -	\$ 445,406
Short-term investments	7,336,110	-	-	-	7,336,110
Receivables – net	815,763	32,415	-	-	848,178
Prepaid expenses and other	142,195	40,819	-	-	183,014
Total current assets	<u>8,677,788</u>	<u>134,900</u>	<u>20</u>	<u>-</u>	<u>8,812,708</u>
Long-term Investments	983,814	-	-	(10,000)	973,814
Investment in subsidiary	2,345,877	-	-	(2,345,877)	-
Property, plant, and equipment - net	198,785	3,348,072	-	-	3,546,857
Total long-term assets	<u>3,528,476</u>	<u>3,348,072</u>	<u>-</u>	<u>(2,355,877)</u>	<u>4,520,671</u>
Total assets	<u>\$ 12,206,264</u>	<u>\$ 3,482,972</u>	<u>\$ 20</u>	<u>\$ (2,355,877)</u>	<u>\$ 13,333,379</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>					
Liabilities					
Accounts payable	\$ 1,594,620	\$ 6,990	\$ 1,051	\$ -	\$ 1,602,661
Accrued expenses	432,997	165,534	-	-	598,531
Deferred revenue	49,719	56,397	-	-	106,116
Current portion of note payable	-	98,952	-	-	98,952
Fair value of interest rate swap	-	69,022	-	-	69,022
Total current liabilities	<u>2,077,336</u>	<u>396,895</u>	<u>1,051</u>	<u>-</u>	<u>2,475,282</u>
Long-term note payable	-	2,106,898	-	-	2,106,898
Paycheck protection program loan	74,792	-	-	-	74,792
Total liabilities	<u>2,152,128</u>	<u>2,503,793</u>	<u>1,051</u>	<u>-</u>	<u>4,656,972</u>
Member contributions	-	2,345,877	10,000	(2,355,877)	-
	<u>2,152,128</u>	<u>4,849,670</u>	<u>11,051</u>	<u>(2,355,877)</u>	<u>4,656,972</u>
Net assets (deficit) without donor restrictions					
University of Akron Research Foundation and Subsidiaries					
Total net assets (deficit)	<u>10,054,136</u>	<u>(1,366,698)</u>	<u>(11,031)</u>	<u>-</u>	<u>8,676,407</u>
Total liabilities and net assets (deficit)	<u>\$ 12,206,264</u>	<u>\$ 3,482,972</u>	<u>\$ 20</u>	<u>\$ (2,355,877)</u>	<u>\$ 13,333,379</u>

See Independent Auditor's Report

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF ACTIVITIES  
Year ended June 30, 2021

	University of Akron Research Foundation	Akron Innovation Campus LLC	PolyMedTech, Inc.	Eliminations	Total
<b>Revenues</b>					
Polymer training	\$ 155,266	\$ -	\$ -	\$ -	\$ 155,266
Sponsored research	531,110	-	-	-	531,110
Experimental services	614,473	-	-	-	614,473
Rental income	4,213	623,287	-	(97,091)	530,409
License royalties and fees	41,698	-	-	-	41,698
Research funding	330,621	-	-	-	330,621
Interest income	314,509	-	-	-	314,509
Patent fee reimbursement	327,679	-	-	-	327,679
Realized and unrealized gain on investments	1,419,916	-	-	-	1,419,916
In-kind contributions	25,000	-	-	-	25,000
Bad debt expense recovery	20,000	-	-	-	20,000
Other income	214,780	7,893	-	-	222,673
Total revenues	<u>3,999,265</u>	<u>631,180</u>	<u>-</u>	<u>(97,091)</u>	<u>4,533,354</u>
<b>Expenses</b>					
Polymer training expense	147,572	-	-	-	147,572
Direct costs	319,692	-	-	-	319,692
Allocated indirect costs	12,279	-	-	-	12,279
Research support	886,226	-	-	-	886,226
Experimental services	541,360	-	-	-	541,360
Royalty distributions	30,000	-	-	-	30,000
Wage and benefit expense	548,689	-	-	-	548,689
Building operating expense	9,303	400,805	-	-	410,108
Loss on sale of property	67,076	-	-	-	67,076
Interest income - Change in swap value	-	(78,124)	-	-	(78,124)
Interest expense	-	125,761	-	-	125,761
Public relations	413	-	-	-	413
Depreciation and amortization expense	166,619	207,122	-	-	373,741
Professional fees	32,564	-	8,301	-	40,865
Office expense	139,276	-	-	(97,091)	42,185
Insurance	34,705	-	-	-	34,705
Total expenses	<u>2,935,774</u>	<u>655,564</u>	<u>8,301</u>	<u>(97,091)</u>	<u>3,502,548</u>
<b>Change in Net Assets</b>	1,063,491	(24,384)	(8,301)	-	1,030,806
<b>Net Assets (Deficit) - Without Donor Restrictions – Beginning of year</b>	<u>8,990,645</u>	<u>(1,342,314)</u>	<u>(2,730)</u>	<u>-</u>	<u>7,645,601</u>
<b>Net Assets (Deficit) - Without Donor Restrictions – End of year</b>	<u>\$ 10,054,136</u>	<u>\$ (1,366,698)</u>	<u>\$ (11,031)</u>	<u>\$ -</u>	<u>\$ 8,676,407</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, 2021, 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 22, 2021.

**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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Columbus, Ohio  
October 22, 2021

# 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 12/23/2021**

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](http://www.ohioauditor.gov)