

AKRON RESEARCH FOUNDATION
SUMMIT COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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

Akron, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 2021 through June 30, 2022. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 16, 2022

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THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES

Akron, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Research Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Research Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Research Foundation's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Research Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Research Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statements of Financial Position and Activities are presented for purposes of additional analysis 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022 on our consideration of the Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Research Foundation'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 Research Foundation's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Columbus, Ohio
November 22, 2022

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 733,408	\$ 445,406
Short-term investments (Notes 4 and 5)	6,315,094	7,336,110
Receivables - net (Note 6)	1,023,915	848,178
Prepaid expenses and other	<u>178,676</u>	<u>183,014</u>
Total current assets	8,251,093	8,812,708
Long-term investments (Note 4)	1,104,886	973,814
Property, plant, and equipment - Net (Note 7)	<u>3,187,451</u>	<u>3,546,857</u>
Total long-term assets	<u>4,292,337</u>	<u>4,520,671</u>
Total assets	<u>\$ 12,543,430</u>	<u>\$ 13,333,379</u>
LIABILITIES AND NET ASSETS		
Accounts payable (Note 8)	\$ 2,196,274	\$ 1,602,661
Accrued expenses	553,640	598,531
Deferred revenue (Note 9)	68,280	106,116
Current portion of note payable (Note 10)	-	98,952
Fair value of interest rate swap (Notes 5 and 10)	<u>-</u>	<u>69,022</u>
Total current liabilities	2,818,194	2,475,282
Long-term note payable (Note 10)	-	2,106,898
Line of credit (Note 10)	2,158,073	-
Paycheck protection program loan (Note 10)	<u>-</u>	<u>74,792</u>
Total long-term liabilities	2,158,073	2,181,690
Total liabilities	4,976,267	4,656,972
Net assets - unrestricted	<u>7,567,163</u>	<u>8,676,407</u>
Total liabilities and net assets	<u>\$ 12,543,430</u>	<u>\$ 13,333,379</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues		
Polymer training	\$ -	\$ 155,266
Sponsored research	434,180	531,110
Experimental services	646,718	614,473
Rental income	456,608	530,409
License royalties and fees	60,060	41,698
Research funding	517,910	330,621
Investment income	340,641	314,509
Consulting income	341,991	-
Patent fee reimbursement	636,147	327,679
Realized and unrealized gain (loss) on investments	(1,231,021)	1,419,916
In-kind contributions	8,000	25,000
Bad debt expense recovery	-	20,000
Other income	<u>277,169</u>	<u>222,673</u>
Total revenues	2,488,403	4,533,354
Expenses		
Program services:		
Polymer training	-	147,572
Direct costs	362,419	319,692
Allocated indirect costs	39,784	12,279
Research support	1,197,733	886,226
Experimental services	544,724	541,360
Royalty distributions	36,024	30,000
Bad debt expense	28,707	-
Depreciation and amortization expense	<u>374,536</u>	<u>373,741</u>
Total program services	2,583,927	2,310,870
Support services:		
Wages and benefits	483,846	548,689
Building operating	437,835	410,108
Loss on sale of property	-	67,076
Interest (income) loss - Change in swap value (Note 10)	-	(78,124)
Interest (income) expense	(17,896)	125,761
Professional fees	6,252	40,865
Office expense	59,021	42,598
Insurance	<u>44,662</u>	<u>34,705</u>
Total support services	<u>1,013,720</u>	<u>1,191,678</u>
Total expenses	<u>3,597,647</u>	<u>3,502,548</u>
Change in net assets	(1,109,244)	1,030,806
Net assets - beginning of year	<u>8,676,407</u>	<u>7,645,601</u>
Net assets - end of year	<u>\$ 7,567,163</u>	<u>\$ 8,676,407</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (1,109,244)	\$ 1,030,806
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Noncash items:		
Depreciation and amortization expense	374,536	373,741
Change in provision for allowance for doubtful accounts	19,038	(34,038)
Loss on sale of property	-	67,076
Bad debt expense recovery	20,000	(20,000)
Realized and unrealized (gain) loss on investments	1,231,021	(1,440,317)
Change in interest rate swap	(69,022)	(78,124)
Forgiveness on Paycheck Protection Program loan	(74,792)	-
Changes in operating assets and liabilities:		
Receivables	(214,775)	590,617
Prepaid expenses	(4,338)	(433)
Payables and accrued expenses	548,772	(2,039,128)
Deferred revenue	<u>(37,836)</u>	<u>(559,574)</u>
Net cash and cash equivalents (used in) provided by operating activities	683,360	(2,109,374)
Cash flows from investing activities		
Purchases of investments	(347,581)	(963,547)
Proceeds from sale of building	-	372,008
Proceeds from sales of investments	-	1,830,943
Purchase of property and equipment	<u>-</u>	<u>(88,619)</u>
Net cash and cash equivalents provided by (used in) investing activities	(347,581)	1,150,785
Cash flows from financing activities		
Payments on debt	(2,205,850)	(69,022)
Proceeds from line of credit	2,158,073	-
Paycheck Protection Program loan	<u>-</u>	<u>74,792</u>
Net cash and cash equivalents provided by (used in) financing activities	(47,777)	5,770
Increase (decrease) in cash and cash equivalents	288,002	(952,819)
Cash and cash equivalents - beginning of year	<u>445,406</u>	<u>1,398,225</u>
Cash and cash equivalents - end of year	<u>\$ 733,408</u>	<u>\$ 445,406</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 82,996	\$ 125,761
In-kind contribution disclosure	8,000	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, 2022

	Program Services			Total Program Services	Support Services			Total Support Services	Total
	Research and Commercialization	Polymer Training	Innovation Campus		Research	Innovation Campus	Administration		
Expenses									
Contracted – Direct and indirect costs	\$ 402,203	\$ -	\$ -	\$ 402,203	\$ -	\$ -	\$ -	\$ -	\$ 402,203
Contracted – Research support	1,197,733	-	-	1,197,733	-	-	-	-	1,197,733
Contracted – Experimental services	544,724	-	-	544,724	-	-	-	-	544,724
Contracted – Royalty distributions	36,024	-	-	36,024	-	-	-	-	36,024
Bad debt expense	28,707	-	-	28,707	-	-	-	-	28,707
Wages and benefits	-	-	-	-	337,096	-	146,750	483,846	483,846
Building operating expense	-	-	-	-	-	437,835	-	437,835	437,835
Interest (income) expense	-	-	-	-	-	(17,896)	-	(17,896)	(17,896)
Depreciation and amortization expense	132,928	-	241,608	374,536	-	-	-	-	374,536
Professional fees	-	-	-	-	-	-	6,252	6,252	6,252
Office expense	-	-	-	-	38,041	-	20,980	59,021	59,021
Insurance	-	-	-	-	44,662	-	-	44,662	44,662
Total expense	\$ 2,342,319	\$ -	\$ 241,608	\$ 2,583,927	\$ 419,799	\$ 419,939	\$ 173,982	\$ 1,013,720	\$ 3,597,647

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		
Expenses									
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	-	-	-	-	-	453,100	-	453,100	453,100
Loss on sale of property	24,084	-	-	24,084	-	-	-	-	24,084
Interest income – Change in swap value	-	-	-	-	-	(78,124)	-	(78,124)	(78,124)
Interest (income) expense	-	-	-	-	-	125,761	-	125,761	125,761
Depreciation and amortization expense	166,619	-	207,122	373,741	-	-	-	-	373,741
Professional fees	-	-	-	-	-	-	40,865	40,865	40,865
Office expense	-	-	-	-	25,572	-	17,026	42,598	42,598
Insurance	-	-	-	-	34,705	-	-	34,705	34,705
Total expense	\$ 1,980,260	\$ 147,572	\$ 207,122	\$ 2,334,954	\$ 467,114	\$ 500,737	\$ 199,743	\$ 1,167,594	\$ 3,502,548

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

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, 2022 and 2021. Akron Innovation Campus LLC (AIC) and PolyMedTech, Inc. (PMT) are consolidated in the fiscal year 2022 and 2021 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, 2022 and 2021.

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 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.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of changes in contract liabilities is as follows

	<u>June 30, 2021</u>	<u>Revenue Recognized</u>	<u>Adjustments</u>	<u>June 30, 2022</u>
Deferred revenue	\$ -	\$ -	\$ -	\$ -

	<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)	\$ -

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.

As of June 30, 2022, the Research Foundation had five outstanding sponsored research contracts.

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.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021. 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 on the June 30, 2021 financial statements.

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.

(Continued)

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 had entered into an interest rate swap agreement which matured 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, 2022 and 2021, in-kind support was provided by the University and others in the amount of \$8,000 and \$25,000, respectively.

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.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2022 and 2021

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 733,408	\$ 445,406
Short-term investments (Notes 4 and 5)	6,315,094	7,336,110
Accounts receivable (Note 6)	<u>1,023,915</u>	<u>848,178</u>
Total financial assets available	<u>\$ 8,072,417</u>	<u>\$ 8,629,694</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, 2022 and 2021 are presented in the consolidated financial statements at fair market value and are composed of the following:

	<u>2022</u>	<u>2021</u>
Marketable securities - Stock equities and mutual funds (Note 5)	\$ 6,315,094	\$ 7,336,110
Alternative investments:		
Closely held stock and private equity (equity method)	808,879	662,105
Closely held stock and private equity (cost method)	<u>296,007</u>	<u>311,709</u>
Total alternative investments	<u>1,104,886</u>	<u>973,814</u>
Total investments	<u>\$ 7,419,980</u>	<u>\$ 8,309,924</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.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021 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, 2022:			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance June 30, 2022
Assets - Short-term investments				
Exchange traded funds:				
Large growth	\$ 945,256	\$ -	\$ -	\$ 945,256
Large value	791,476	-	-	791,476
Mutual funds:				
Fixed income	1,565,829	-	-	1,565,829
Small- and mid-cap growth	717,101	-	-	717,101
Alternatives	1,156,956	-	-	1,156,956
Internationals	1,138,476	-	-	1,138,476
Total assets	\$ 6,315,094	\$ -	\$ -	\$ 6,315,094
Liabilities - Interest rate swap	\$ -	\$ -	\$ -	\$ -

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

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>

The fair value of the interest rate swap at June 30, 2021 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, 2022 and 2021 from sponsored research contracts, licenses, rents, and other. After known uncollectible accounts are deducted, approximately 5 percent of the remaining receivable balance is allocated to a general allowance for doubtful accounts.

	<u>2022</u>	<u>2021</u>
Sponsored research	\$ 369,690	\$ 188,926
Patent	373,004	343,119
Experimental services	128,351	94,853
Licenses	2,828	50,000
Other	210,042	212,242
Allowance for doubtful accounts	<u>(60,000)</u>	<u>(40,962)</u>
Total	<u>\$ 1,023,915</u>	<u>\$ 848,178</u>

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 290,607	\$ 290,607
Buildings and building improvements	5,513,180	5,513,180
Equipment	<u>2,349,393</u>	<u>2,349,393</u>
Total property, plant, and equipment	8,153,180	8,153,180
Less accumulated depreciation	<u>(4,965,729)</u>	<u>(4,606,323)</u>
Net carrying amount	<u>\$ 3,187,451</u>	<u>\$ 3,546,857</u>

Depreciation expense for the years ended June 30, 2022 and 2021 totaled \$359,406 and \$355,235, respectively.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable are apportioned as follows at June 30:

	<u>2022</u>	<u>2021</u>
The University of Akron	\$ 2,065,647	\$ 1,453,555
Other nonrelated parties	<u>130,627</u>	<u>149,106</u>
Total	<u>\$ 2,196,274</u>	<u>\$ 1,602,661</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, 2022 and 2021.

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, 2022 and 2021 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, and rental income, which is recorded as deferred revenue until earned. At June 30, 2022 and 2021, the Research Foundation had deferred revenue from the following sources:

	<u>2022</u>	<u>2021</u>
Sponsored research and license	\$ 12,912	\$ 49,719
Rental income	<u>55,368</u>	<u>56,397</u>
Total	<u>\$ 68,280</u>	<u>\$ 106,116</u>

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2022 and 2021

NOTE 10 - NOTE PAYABLE, PPP LOAN, AND LINE OF CREDIT

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% at June 30, 2021. The balance due on the note at June 30, 2021 was \$2,205,850. The note payable matured on May 2, 2022 and was paid off in full.

As of June 30, 2022 and 2021, 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, 2022	Interest income	\$ -	Debt	\$ -	\$ -
June 30, 2021	Interest income	\$ (78,124)	Debt	\$ 69,022	\$ 1,434,142

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 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.

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. As of December 7, 2021, the Research Foundation received a formal forgiveness letter from the SBA. The Research Foundation recognized a gain on forgiveness of the loan balance in other income in the consolidated statement of activities for the year ended June 30, 2022.

On May 10, 2022 UARF entered into a line of credit agreement with Wells Fargo. The maximum borrowing amount is based on the balance of the investment account. As of June 30, 2022 the limit was \$3,952,401, with the line of credit renewable every three years. The line of credit bears variable interest at prime minus a spread as defined in the Priority Credit Line agreement. The spread at June 30, 2022 was 1.25%. The interest rate as of June 30, 2022 was 4.25%. The outstanding amount at June 30, 2022 was \$2,158,073.

(Continued)

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

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, 2022 and 2021, leased buildings and building improvements are recorded within property, plant, and equipment at a cost of \$5,512,496 and \$5,512,496, respectively, with accumulated depreciation of \$2,682,193 and \$2,265,906, respectively.

As of June 30, 2022, the minimum future rentals on the noncancelable portion of the operating lease rentals aggregate \$921,066 and are due in the fiscal years ending June 30 as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2023	\$ 268,681
2024	247,164
2025	126,755
2026	79,562
2027	79,562
Thereafter	<u>119,342</u>
Total	<u>\$ 921,066</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, 2022 and 2021, these companies reimbursed the Research Foundation \$7,518 and \$5,359, respectively for expenses paid on their behalf. As of June 30, 2022 and 2021 the Research Foundation has recorded a receivable due from these companies for \$505 and \$3,190, 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, 2022 and 2021 the Research Foundation transferred \$936,355 and \$621,791, 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 \$10,807 and \$17,665 for the fiscal years ended June 30, 2022 and 2021, respectively.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent Events: The consolidated financial statements and related disclosures included evaluation of events up through and including November 22, 2022, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2022

	University of Akron Research Foundation	Akron Innovation Campus LLC	PolyMedTech, Inc.	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 712,617	\$ 20,771	\$ 20	\$ -	\$ 733,408
Short-term investments	6,315,094	-	-	-	6,315,094
Receivables – net	1,016,602	7,313	-	-	1,023,915
Prepaid expenses and other	<u>143,841</u>	<u>34,835</u>	<u>-</u>	<u>-</u>	<u>178,676</u>
Total current assets	8,188,154	62,919	20	-	8,251,093
Long-term Investments	1,114,886	-	-	(10,000)	1,104,886
Investment in subsidiary	4,566,550	-	-	(4,566,550)	-
Property, plant, and equipment - net	<u>65,857</u>	<u>3,121,594</u>	<u>-</u>	<u>-</u>	<u>3,187,451</u>
Total long-term assets	<u>5,747,293</u>	<u>3,121,594</u>	<u>-</u>	<u>(4,576,550)</u>	<u>4,292,337</u>
Total assets	<u>\$ 13,935,447</u>	<u>\$ 3,184,513</u>	<u>\$ 20</u>	<u>\$ (4,576,550)</u>	<u>\$ 12,543,430</u>
LIABILITIES AND NET ASSETS (DEFICIT)					
Liabilities					
Accounts payable	\$ 2,191,864	\$ 3,359	\$ 1,051	\$ -	\$ 2,196,274
Accrued expenses	460,192	93,448	-	-	553,640
Deferred revenue	<u>12,912</u>	<u>55,368</u>	<u>-</u>	<u>-</u>	<u>68,280</u>
Total current liabilities	2,664,968	152,175	1,051	-	2,818,194
Line of Credit	<u>2,158,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,158,073</u>
Total liabilities	<u>4,823,041</u>	<u>152,175</u>	<u>1,051</u>	<u>-</u>	<u>4,976,267</u>
Member contributions	<u>-</u>	<u>4,566,550</u>	<u>10,000</u>	<u>(4,576,550)</u>	<u>-</u>
	4,823,041	4,718,725	11,051	(4,576,550)	4,976,267
Net assets (deficit) without donor restrictions					
University of Akron Research Foundation and Subsidiaries					
Total net assets (deficit)	<u>9,112,406</u>	<u>(1,534,212)</u>	<u>(11,031)</u>	<u>-</u>	<u>7,567,163</u>
Total liabilities and net assets (deficit)	<u>\$ 13,935,447</u>	<u>\$ 3,184,513</u>	<u>\$ 20</u>	<u>\$ (4,576,550)</u>	<u>\$ 12,543,430</u>

See Independent Auditor's Report

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	University of Akron Research Foundation	Akron Innovation Campus LLC	PolyMedTech, Inc.	Eliminations	Total
Revenues					
Sponsored research	\$ 434,180	\$ -	\$ -	\$ -	\$ 434,180
Experimental services	646,718	-	-	-	646,718
Rental income	4,730	496,878	-	(45,000)	456,608
License royalties and fees	60,060	-	-	-	60,060
Research funding	517,910	-	-	-	517,910
Interest income	340,641	-	-	-	340,641
Consulting Income	341,991	-	-	-	341,991
Patent fee reimbursement	636,147	-	-	-	636,147
Realized and unrealized gain (loss) on investments	(1,231,021)	-	-	-	(1,231,021)
In-kind contributions	8,000	-	-	-	8,000
Other income	275,438	1,731	-	-	277,169
Total revenues	<u>2,034,794</u>	<u>498,609</u>	<u>-</u>	<u>(45,000)</u>	<u>2,488,403</u>
Expenses					
Direct costs	362,419	-	-	-	362,419
Allocated indirect costs	39,784	-	-	-	39,784
Research support	1,197,733	-	-	-	1,197,733
Experimental services	544,724	-	-	-	544,724
Royalty distributions	36,024	-	-	-	36,024
Wage and benefit expense	28,707	-	-	-	28,707
Building operating expense	483,846	-	-	-	483,846
Loss on sale of property	3,089	434,746	-	-	437,835
Interest expense	7,935	(25,831)	-	-	(17,896)
Depreciation and amortization expense	132,928	241,608	-	-	374,536
Professional fees	6,252	-	-	-	6,252
Office expense	104,021	-	-	(45,000)	59,021
Insurance	29,062	15,600	-	-	44,662
Total expenses	<u>2,976,524</u>	<u>666,123</u>	<u>-</u>	<u>(45,000)</u>	<u>3,597,647</u>
Change in Net Assets	(941,730)	(167,514)			(1,109,244)
Net Assets (Deficit) - Without Donor Restrictions – Beginning of year	<u>10,054,136</u>	<u>(1,366,698)</u>	<u>(11,031)</u>	<u>-</u>	<u>8,676,407</u>
Net Assets (Deficit) - Without Donor Restrictions – End of year	<u>\$ 9,112,406</u>	<u>\$ (1,534,212)</u>	<u>\$ (11,031)</u>	<u>\$ -</u>	<u>\$ 7,567,163</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, 2022, 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 November 22, 2022.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as 2022-001.

(Continued)

Report on 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*.

The University of Akron Research Foundation's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on The University of Akron Research Foundation's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The University of Akron Research Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 22, 2022

THE UNIVERSITY OF AKRON RESEARCH FOUNDATION AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

FINDING 2022-001 – INTERNAL CONTROLS OVER FINANCIAL REPORTING

Criteria:	Sponsored Research revenue was determined by the percentage of work completed for each contract. The tracking of the work completed and revenue was maintained by The University of Akron Research Foundation and Subsidiaries' ("Research Foundation") accounting records.
Condition:	For one sponsored research contract, revenue was incorrectly calculated and recorded.
Context:	An incorrect beginning balance within the sponsored research revenue spreadsheet led to incorrect revenue being recorded on one contract.
Effect:	An adjusting journal entry was recorded to decrease revenue in the financial statements by approximately \$197,000.
Cause:	A formula error within the spreadsheet caused revenue to be calculated incorrectly.
Repeat Finding:	No
Recommendation:	We recommend the Research Foundation implement an independent review process of the Sponsored Research calculation, which includes the quarterly reconciliation of deferred revenue, accounts receivable and revenue recognition based on percentage of completions to ensure all calculations are accurate and supported.
Response:	As recommended by the auditors, independent review will be performed on the Sponsored Research calculation. The new procedures will include confirming the beginning balance matches prior year information as well as verifying that no formula errors exist within the spreadsheet. Additionally, as seen fit, certain cells may be protected in order to prevent any unintentional changes to the data. Any discrepancies will be adjusted on UARF's schedule of sponsored research revenue.

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 12/29/2022

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