CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Hobart Institute of Welding Technology

Financial Statements

December 31, 2020 and 2019

with Independent Auditors' Report

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hobart Institute of Welding Technology
Troy, Ohio

Report on the Financial Statements
We have audited the accompanying financial statements of Hobart Institute of Welding Technology (the "Institute"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the 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 Institute'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Hobart Institute of Welding Technology as of December 31, 2020 and 2019, 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

Other Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial responsibility supplemental schedule, as required by the U.S. Department of Education, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 May 14, 2021 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Institute'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 Institute's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 14, 2021

		2020	2019
Assets:			
Cash and cash equivalents	$	4,550,010	2,784,534
Investments		7,288,379	6,551,736
Accounts receivable, net		203,363	227,331
Inventories		315,937	360,904
Prepaid expenses		1,633	49,856
Prepaid production costs		146,171	202,610
Interest in assets held by community foundation		790,807	752,159
Land, buildings, and equipment, net		8,694,554	9,465,549
	$	21,990,854	20,394,679
Liabilities:			
Accounts payable	$	171,630	97,269
Accrued liabilities		230,905	215,142
Accrued interest		171	392
Deferred tuition revenue		1,273,618	1,202,196
Note payable		269,288	616,341
		1,945,612	2,131,340
Net assets:			
Without donor restrictions		19,954,849	18,180,983
With donor restrictions		90,393	82,356
		20,045,242	18,263,339
	$	21,990,854	20,394,679

See accompanying notes to the financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Tuition and fees	$ 6,441,413	-	6,441,413
Less: grants and scholarships	(94,045)	-	(94,045)
Net tuition and fees	6,347,368	-	6,347,368
Government grants	1,304,648	-	1,304,648
Contributions	34,618	11,360	45,978
Investment income, net	718,844	-	718,844
Other income	50,529	-	50,529
Rental income	295,452	-	295,452
Gain on interest in assets held by community foundation	69,711	9,177	78,888
Gain on disposal of assets	1,879	-	1,879
Auxiliary enterprises	882,240	-	882,240
Net assets released from restrictions	12,500	(12,500)	-
	9,717,789	8,037	9,725,826
Operating expenses:			
Instruction	4,154,087	-	4,154,087
Academic support	2,210	-	2,210
Institutional support	1,392,901	-	1,392,901
Operations and maintenance of plant	749,233	-	749,233
Student Aid	261,218	-	261,218
Auxiliary enterprises	467,042	-	467,042
Interest expense	21,882	-	21,882
Depreciation	895,350	-	895,350
	7,943,923	-	7,943,923
Change in net assets	1,773,866	8,037	1,781,903
Net assets, beginning of year	18,180,983	82,356	18,263,339
Net assets, end of year	$ 19,954,849	90,393	20,045,242

See accompanying notes to the financial statements.

Hobart Institute of Welding Technology
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019

		Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:				
Tuition and fees	$	7,436,912	-	7,436,912
Less: grants and scholarships		(73,033)	-	(73,033)
Net tuition and fees		7,363,879	-	7,363,879
Contributions		-	10,000	10,000
Investment income, net		768,290	-	768,290
Other income		55,774	-	55,774
Rental income		295,452	-	295,452
Gain on interest in assets held by community foundation		104,593	12,860	117,453
Gain on disposal of assets		8,607	-	8,607
Auxiliary enterprises		1,067,849	-	1,067,849
Net assets released from restrictions		14,400	(14,400)	-
		9,678,844	8,460	9,687,304
Operating expenses:				
Instruction		4,389,221	-	4,389,221
Academic support		19,359	-	19,359
Institutional support		1,443,350	-	1,443,350
Operations and maintenance of plant		912,754	-	912,754
Auxiliary enterprises		546,276	-	546,276
Interest expense		30,698	-	30,698
Depreciation		963,133	-	963,133
		8,304,791	-	8,304,791
Change in net assets		1,374,053	8,460	1,382,513
Net assets, beginning of year		16,806,930	73,896	16,880,826
Net assets, end of year	$	18,180,983	82,356	18,263,339

See accompanying notes to the financial statements.

		Program	Management and General	Totals
Payroll, taxes and benefits	$	3,483,974	658,453	4,142,427
Professional fees		-	51,284	51,284
Other contract services		91,528	40,345	131,873
Advertising and promotion		76,189	-	76,189
Office expenses		20,566	2,384	22,950
Information technology		109,463	21,130	130,593
Occupancy		234,983	11,440	246,423
Travel		24,058	1,199	25,257
Interest		21,882	-	21,882
Depreciation		885,104	10,246	895,350
Insurance		76,764	6,165	82,929
Grants to students		261,218	-	261,218
Supplies		1,222,501	-	1,222,501
Maintenance		481,661	6,385	488,046
Miscellaneous expenses		132,509	12,492	145,001
Total expenses	$	7,122,400	821,523	7,943,923

See accompanying notes to the financial statements.

Hobart Institute of Welding Technology
Statement of Functional Expenses
Year Ended December 31, 2019

		Program	Management and General	Totals
Payroll, taxes and benefits	$	3,671,427	649,992	4,321,419
Professional fees		-	33,082	33,082
Other contract services		31,837	70,261	102,098
Advertising and promotion		129,116	-	129,116
Office expenses		27,614	2,761	30,375
Information technology		157,594	29,213	186,807
Occupancy		258,099	13,250	271,349
Travel		59,026	9,112	68,138
Interest		30,698	-	30,698
Depreciation		950,475	12,658	963,133
Insurance		69,642	14,508	84,150
Supplies		1,409,050	-	1,409,050
Maintenance		453,826	387	454,213
Miscellaneous expenses		162,653	58,510	221,163
Total expenses	$	7,411,057	893,734	8,304,791

See accompanying notes to the financial statements.

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	1,781,903	1,382,513
Adjustments to reconcile change in net assets to net cash from operating activities:			
Depreciation		895,350	963,133
Realized and unrealized gain on investments		(599,164)	(629,236)
Gain on interest in assets held by community foundation		(78,888)	(117,453)
Gain on disposal of assets		(1,879)	(8,607)
Change in operating assets and liabilities:			
Accounts receivable		23,968	1,670,776
Inventories		44,967	(51,884)
Prepaid expenses		48,223	(49,856)
Prepaid production costs		56,439	746
Accounts payable		74,361	(382,915)
Accrued liabilities		15,763	(26,655)
Accrued interest		(221)	(213)
Deferred tuition revenue		71,422	(1,541,010)
Net cash from operating activities		2,332,244	1,209,339
Cash flows from investing activities:			
Capital expenditures		(122,476)	(433,780)
Investment in assets held by community foundation		(11,360)	(10,000)
Net funds transferred from assets held by community foundation		51,600	199
Proceeds from sale of investments		1,267,886	1,050,975
Purchase of investments		(1,405,365)	(1,022,798)
Net cash from investing activities		(219,715)	(415,404)
Cash flows from financing activities:			
Principal payments on note payable		(347,053)	(333,947)
Net change in cash and cash equivalents		1,765,476	459,988
Cash and cash equivalents at beginning of year		2,784,534	2,324,546
Cash and cash equivalents at end of year	$	4,550,010	2,784,534
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	22,103	30,911

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1940, Hobart Institute of Welding Technology (the "Institute") provides education and training to individuals in the use and application of welding technologies. The Institute develops and disseminates welding training and educational materials and conducts certification research and qualifications for the welding industry, which are reported as auxiliary enterprises. The Institute's operations are supported by tuition and fees, sales of training and education materials, investment income and income from rental of facilities.

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements.

Basis of Accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting, whereby revenue is recognized as earned and expenditures are recognized as obligations are incurred.

Financial Statement Presentation

The financial statements of the Institute have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which requires the Institute to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

> *Net assets without donor restrictions* represent funds available for expenditures which are not otherwise limited by donor restrictions. When a donor-imposed restriction is met in the same reporting period as received, the support is recorded as net assets without donor restrictions.
>
> *Net assets with donor restrictions* consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time.

Cash and Cash Equivalents

Cash and cash equivalents include checking, savings and money market accounts. Deposits in banks are insured by an agency of the federal government up to $250,000 at December 31, 2020 and 2019. The Institute has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

Investments

The Institute carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets in the statements of financial position. Realized investment gains and losses are calculated and recorded on a first-in, first-out basis and represent the difference between the proceeds on sales of investments and their cost when acquired or fair value at the end of the preceding year. Unrealized gains and losses are determined by the difference between carrying value and fair value. Investment return includes interest, dividends, and both realized and unrealized gains and losses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable
Accounts receivable primarily consist of tuition and fee charges to students and sales of training and education materials to external customers less an estimate made for doubtful receivables based on a review of all outstanding accounts and knowledge of students. Receivable balances are not concentrated with any specific student. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Inventories
Inventories consist primarily of items for sale through the bookstore of the Institute. They are stated at the lower of cost (first-in, first-out basis) or market.

Production Costs
The Institute capitalizes the costs of producing masters of video educational materials that benefit future periods and amortizes those costs over the useful life of each master. The Institute has determined that production costs associated with these masters will be recovered from future sales.

Land, Buildings, Equipment, and Depreciation and Amortization
Land, buildings, and equipment, including equipment under capital leases, are stated at cost at date of acquisition or fair value, if donated. The Institute typically capitalizes items that exceed $2,500 and have a useful life greater than one year. Depreciation and amortization on buildings and equipment is recorded on an accelerated basis beginning in the year of acquisition over the estimated useful life for each major category of assets. These estimated useful lives are summarized in the following table:

Buildings and improvements	5 - 40 years
Machinery and equipment	5 - 10 years
Computer equipment	3 - 8 years
Furniture and fixtures	5 - 30 years

The carrying value of the Institute's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The Institute considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value. As of December 31, 2020 and 2019, management believes no impairments existed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition
The Institute derives its revenues primarily from the sale of educational services to its students. Revenues are recognized as these services are provided to its students, in an amount that reflects the consideration the Institute expects to be entitled to in exchange for those products and services. The Institute does not have any significant financing components as payment is generally received prior to the beginning of the academic semester or within one year.

Revenue from performance obligations satisfied over time consists of the educational services and certain fees charged to students for providing access to Institute resources (tuition and fees). For these performance obligations, control transfers to the student over the academic semester/period. Revenue is recognized throughout the semester as time passes and services are provided to students. Revenue from performance obligations satisfied at a point in time consists of the sale of welding supplies and training materials (auxiliary enterprises). For these performance obligations, control transfers at a point in time. The Institute transfers control and records revenue for these sales upon delivery.

Contract liabilities include unearned tuition and fees totaling $1,273,618 and $1,202,196 at December 31, 2020 and 2019, respectively. Funds advanced from students and federal and state grants are reflected as deferred revenue until such funds are earned as services are provided throughout the semester/period.

Contributions and Grants
Contributions and grants, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

> An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
>
> An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions and grants are recognized when the barriers to entitlement are overcome. Unconditional contributions and grants are recognized as revenue when received. Unconditional contributions and grants or conditional contributions and grants in which the conditions have been substantially met or explicitly waived by the donor or grantor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Conditional grants are recognized only when the conditions on which they depend are substantially met and the grants become unconditional.

Advertising Costs
The Institute expenses advertising costs as incurred. Advertising costs totaled $76,191 and $129,116 during the years ended December 31, 2020 and 2019, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Tax
The Internal Revenue Service has ruled that the Institute is a tax-exempt educational institution under §501(a) of the Internal Revenue Code as an organization described in §501(c)(3).

The Institute considers the accounting and recognition for income tax positions taken or expected to be taken in the Institute's income tax returns. The Institute's income tax filings are subject to audit by various taxing authorities. The Institute's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Institute's tax provision and tax-exempt status, interpretations and tax planning strategies were considered. The Institute believes its estimates are appropriate based on the current facts and circumstances.

Use of Estimates
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocations
The financial statements report certain categories of expenses that are attributable to programming or supporting functions of the Institute. Expenses are directly applied when applicable and are allocated to program or support services based on the table shown below. Such allocations are determined by management on an equitable basis. Expenses are allocated as follows:

Expense	Allocation Method
Payroll, taxes and benefits	Time and Effort
Other contract services	Full Time Equivalents
Office expenses	Full Time Equivalents
Occupancy	Full Time Equivalents
Travel	Full Time Equivalents
Depreciation	Square Footage
Insurance	Full Time Equivalents
Maintenance	Full Time Equivalents
Miscellaneous expenses	Full Time Equivalents

Reclassifications
Certain amounts reported in 2019 have been reclassified to conform to 2020 financial statement presentation.

NOTE 2 – INVESTMENTS

The Institute's investments consist of the following at December 31:

		2020	2019
Debt securities	$	4,132,670	3,979,901
Mutual funds - equities		3,075,601	2,475,641
Real estate fund		80,108	96,194
	$	7,288,379	6,551,736

The composition of investment income, net is as follows:

		2020	2019
Interest and dividends	$	167,004	184,765
Investment expenses		(47,324)	(45,711)
Net realized (loss) gain		(55,360)	4,222
Net unrealized gain		654,524	625,014
Total investment income, net	$	718,844	768,290

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

		2020	2019
Students	$	46,917	69,937
Other		169,946	170,894
		216,863	240,831
Less allowance for doubtful accounts		(13,500)	(13,500)
	$	203,363	227,331

NOTE 4 – LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of land, buildings, and equipment as of December 31:

		2020	2019
Land	$	211,064	211,064
Buildings and improvements		15,653,887	15,590,805
Machinery and equipment		3,326,594	3,368,504
Computer equipment		1,364,178	1,408,378
Furniture and fixtures		479,592	531,636
		21,035,315	21,110,387
Less accumulated depreciation		(12,340,761)	(11,644,838)
	$	8,694,554	9,465,549

NOTE 5 – CONDITIONAL GRANTS

In April 2020, the Institute was allotted funds from the U.S. Department of Education under the Higher Education Emergency Relief Fund (HEERF) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The allocation was divided between a student aid portion and an institutional portion. The student aid portion of the grant requires the Institute to provide student aid based on certain student eligibility conditions. The institutional portion of the grant reimburses the Institute for qualifying expenses as a result of the pandemic. The Institute received the conditional government grant for the student aid portion of $242,943 on April 28, 2020. During the year ended December 31, 2020, the Institute had disbursed the entire portion to eligible students, which is included in student aid on the statement of activities and changes in net assets for the year ended December 31, 2020. The Institute received the conditional government grant for the institutional portion of $242,943 on May 22, 2020 and an additional $14,114 as part of the Fund for the Improvement of Postsecondary Education (FIPSE) Formula Grant on November 5, 2020. During the year ended December 31, 2020, the Institute had qualifying expenses of $238,782 and student aid of $18,275 charged to the grant.

NOTE 6 – PAYCHECK PROTECTION PROGRAM

On April 20, 2020, in response to the outbreak of COVID-19, the Institute entered into a loan of $800,350 under the Small Business Administration’s Paycheck Protection Program (PPP). The loan bears interest at 1% and is due in April 2022. The PPP program allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. During 2020, the Institute incurred qualifying expenses and was granted forgiveness for the entire balance of the loan and interest and is included in government grants on the statement of activities and changes in net assets for the year ended December 31, 2020.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Institute and Hobart Brothers Company (“HBC”) entered into an employee lease agreement. Under this agreement, the Institute reimbursed HBC on a monthly basis for the actual cost of making the leased employees available to the Institute. Actual costs of employees include compensation, employment taxes, workers’ compensation, health insurance and retirement plan benefits. The employee lease agreement ended in May 2019.

Additionally, the Institute and HBC entered into an administrative services agreement. Pursuant to the terms of this agreement, the Institute paid $10,712 monthly for support related to the following administrative services: administration of employee benefits and payroll; recruiting; interviewing and screening and hiring of employees, along with any indirect costs associated with the leased employees. Administrative service fees totaled $-0- and $42,850 for 2020 and 2019, respectively. The administrative services agreement ended in May 2019.

The Institute also reimbursed HBC for various other costs incurred by HBC on their behalf. The total amount owed to HBC at December 31, 2020 and 2019 amounted to $9,719 and $8,371, respectively. There were no related party receivables as of December 31, 2020 and 2019.

HBC rents a portion of the Institute’s building space. The total rental income for 2020 and 2019 was $295,452.

NOTE 8 – INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Institute has transferred assets to the Troy Foundation and retained a beneficial interest in those assets. The Institute is allocated their funds' proportionate share of the pooled funds' investment returns on an annual basis. Distributions from the fund balances may be withdrawn each year in accordance with the terms of each scholarship fund agreement, and undistributed earnings are retained in the fund. As of December 31, 2020 and 2019, the fair value of the Institute’s interest in community foundation’s assets was $790,807 and $752,159, respectively.

Amounts invested in the Troy Foundation’s pooled investment funds are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments in the pooled fund, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the Institute’s financial statements.

NOTE 9 – FAIR VALUE MEASUREMENTS

GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Institute’s principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Institute has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value methods and assumptions for publicly traded securities and mutual funds and real estate funds are based on Level 1 market approach. Investments in short term debt securities, including U.S. Government obligations and corporate and municipal bonds are valued on Level 2 inputs using prices obtained from custodians, which used third party data service providers.

The fair value of beneficial interest in assets held by the community foundation is based upon the Institute’s proportionate share of the community foundation's pooled investment portfolio. The Institute’s management and Finance Committee review the valuations and returns in comparison to industry benchmarks and other information provided by the community foundation.

NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)

The Institute recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the years ended December 31, 2020 and 2019.

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that a change in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Assets measured at fair value on a recurring basis at December 31, 2020, are summarized below:

		Fair Value Measurements Using Quoted Prices in		
December 31, 2020:	Fair Value	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. government and government securities	$ 122,656	-	122,656	-
Corporate bonds	3,641,397	-	3,641,397	-
Bond Index Funds	280,469	-	280,469	-
Foreign Bonds	88,148	-	88,148	-
	4,132,670	-	4,132,670	-
Mutual funds - equities				
International funds	794,180	794,180	-	-
Small cap funds	85,099	85,099	-	-
Mid cap funds	82,304	82,304	-	-
Large cap funds	2,114,018	2,114,018	-	-
	3,075,601	3,075,601	-	-
Real estate fund	80,108	80,108	-	-
Interest in assets held by community foundation	790,807	-	-	790,807
	$ 8,079,186	3,155,709	4,132,670	790,807

NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis at December 31, 2019, are summarized below:

		Fair Value Measurements Using Quoted Prices in		
December 31, 2019:	Fair Value	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. government and government securities	$ 176,406	-	176,406	-
Corporate bonds	3,717,391	-	3,717,391	-
Foreign Bonds	86,104	-	86,104	-
	3,979,901	-	3,979,901	-
Mutual funds - equities				
International funds	654,991	654,991	-	-
Small cap funds	106,857	106,857	-	-
Mid cap funds	145,272	145,272	-	-
Large cap funds	1,568,521	1,568,521	-	-
	2,475,641	2,475,641	-	-
Real estate fund	96,194	96,194	-	-
Interest in assets held by community foundation	752,159	-	-	752,159
	$ 7,303,895	2,571,835	3,979,901	752,159

NOTE 10 – NOTE PAYABLE

On September 25, 2017, the Institute entered into a promissory note agreement secured by the Institute's unrestricted investment account with US Bank for $1,350,000. This note has a maturity date of September 25, 2021, when the balance of principal and interest will be due. Payments of $30,405 are paid in monthly installments and commenced on October 25, 2017 and will continue the same day of each month thereafter until maturity. The interest rate on this loan is 3.82%.

Future maturities of the promissory note are as follows:

2021	$ 269,288

NOTE 11 – ENDOWMENT FUND

The Institute's endowment primarily consists of five funds held at the Troy Foundation. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The donor-restricted funds are subject to expenditure for the specific purpose of scholarships.

Endowment net asset composition by type of fund as of December 31:

		Without Donor Restrictions	With Donor Restrictions	Total
2020				
Donor-restricted	$	-	90,393	90,393
Board designated		700,414	-	700,414
Total	$	700,414	90,393	790,807
2019				
Donor-restricted	$	-	82,356	82,356
Board designated		669,803	-	669,803
Total	$	669,803	82,356	752,159

		Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	$	551,009	73,896	624,905
Investment income, net		6,481	788	7,269
Net appreciation		98,112	12,072	110,184
Contributions/transfers		66,450	10,000	76,450
Appropriation of assets for expenditure		(52,249)	(14,400)	(66,649)
Endowment net assets, December 31, 2019		669,803	82,356	752,159
Investment income, net		4,802	604	5,406
Net appreciation		64,909	8,573	73,482
Contributions/transfers		35,100	11,360	46,460
Appropriation of assets for expenditure		(74,200)	(12,500)	(86,700)
Endowment net assets, December 31, 2020	$	700,414	90,393	790,807

NOTE 11 – ENDOWMENT FUND (CONTINUED)

Return Objectives and Risk Parameters

The Institute has invested its endowments with the Troy Foundation, which has investment and spending policies for endowment assets that attempt to accumulate a pool of assets sufficient to build capital for future use while providing a predictable level of funding to meet current needs. Endowment assets include those assets of donor-restricted funds that the Institute must hold for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute relies on the Troy Foundation to provide a diversified asset allocation within both equity and fixed income securities, so as to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category.

NOTE 12 – RETIREMENT PLANS

Beginning May 4, 2019, the Institute maintains a 401(k) defined contribution profit-sharing retirement plan for its eligible employees who elect to participate. The defined contribution plan covers all employees of the Institute. The Institute's matching contributions to the plan for covered employees' are 100% of employees' contributions up to 3% of the employee's compensation and 50% of employees' contributions that exceed 3% but do not exceed 5% of the employee's compensation. Voluntary employee contributions are permitted after three months of service for all eligible employees up to the maximum allowed by the Internal Revenue Code. The Institute's share of the cost of these benefits for 2020 and 2019 was $113,115 and $76,601, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Institute receives significant financial assistance from governmental agencies in the form of grants. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in grant agreements and is subject to audit by grantor agencies and possible disallowance of certain expenditures. The Institute has not had any disallowance of expenditures in the past and expects such amounts, if any, to be immaterial.

The Institute from time to time is subject to litigation in the ordinary course of its business. It is the opinion of management that the outcome of these actions are either adequately covered by insurance, or if not insured, will not have a material adverse impact on the Institute's financial position or results of future operations.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have resulted in economic uncertainties which may negatively affect the financial position, results of operations and cash flows in subsequent periods of the Institute. These uncertainties include market value fluctuations of investments and uncertain levels of student enrollment. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

NOTE 14 – AVAILABILITY OF FINANCIAL ASSETS

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31, 2020 and 2019:

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 4,550,010	2,784,534
Investments	7,288,379	6,551,736
Accounts receivable, net	203,363	227,331
Interest in assets held by community foundation	790,807	752,159
Financial assets available at year-end	12,832,559	10,315,760
Less those unavailable for general expenditures within one year due to:		
Investments held in donor restricted endowment	90,393	82,356
Board designated funds to function as endowments	700,414	669,803
Financial assets available to meet cash needs for general expenditures within one year	$ 12,041,752	9,563,601

As part of the Institute's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is invested in short-term, highly liquid investments during the year. If additional financial assets are needed based on unexpected needs, certain amounts from the board designated funds functioning as endowments could be made available as necessary.

NOTE 15 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2020 to determine the need for any adjustments to and/or disclosures within the financial statement for the year ended December 31, 2020. Management has performed this analysis through May 14, 2021, the date the financial statements were available to be issued.

Additionally, in March 2021, the Institute received a $782,795 second draw PPP loan. The loan bears interest at 1% and is due in 24 months after the date of the note. Similar to the first draw PPP loan received in 2020, the PPP program allows for a portion of the second draw PPP loan (up to the full amount) to be forgiven based on qualifying expenses. The amount of the loan that will be forgiven is uncertain at this time. The Institute anticipates that the entire amount will be forgiven.

SUPPLEMENTAL INFORMATION

Financial Statement Description	Description		
Primary Reserve Ratio:			
Expendable Net Assets:			
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		$ 19,954,849
Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		90,393
Notes to the Financial Statements - Related party receivable and note disclosure	Note 7 - no related party receivable		-
Statement of Financial Position - Property, Plant and Equipment, net	Land, buildings and equipment, net	8,694,554	
Notes to the Financial Statements - Property, plant and equipment, net - pre-implementation	Land, buildings and equipment, net - pre- implementation		8,694,554
Notes to the Financial Statements - Construction in process	Note 4 - Construction in process		-
Statement of Financial Position - Note Payable for long term purposes	Note payable	269,288	
Statement of Financial Position - Note Payable for long term purposes - pre-implementation	Note payable - pre-implementation described in Note 10		269,288
Statement of Financial Position - Annuities and life income funds	Not applicable		-
Notes to the Financial Statements - Perpetual funds	Net assets with donor restrictions: restricted in perpetuity - Note 11		-
Notes to the Financial Statements - Term endowments	Term endowments with donor restrictions - Note 11		90,393
	Expendable Net Assets		**$ 11,529,583**
Total Expenses and Losses:			
Statement of Activities and Changes in Net Assets - Total operating expenses	Total expenses without donor restrictions		$ 7,943,923
Statement of Activities and Changes in Net Assets - Non-operating and Net Investment (loss)	Not applicable		-
	Total Expenses and Losses without Donor Restrictions		**$ 7,943,923**

Financial Statement Description	Description	
Equity Ratio		
Modified Net Assets		
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions	$ 19,954,849
Statement of Financial Position - Total net assets with donor restriction	Net assets with donor restrictions	90,393
Statement of Financial Position - Goodwill	Not applicable	-
Statement of Financial Position - Related party receivables	Not applicable	-
	Total Modified Net Assets	**$ 20,045,242**
Modified Assets		
Statement of Financial Position - Total Assets	Total Assets	$ 21,990,854
Statement of Financial Position - Goodwill	Not applicable	-
Statement of Financial Position - Related party receivables	Not applicable	-
	Modified Assets	**$ 21,990,854**
Net Income Ratio		
Statement of Activities and Changes in Net Assets - Change in net assets without donor restrictions	**Change in net assets without donor restrictions**	**$ 1,773,866**
Statement of Activities and Changes in Net Assets - (Net Assets released from restriction), total operating revenue and other additions and sale of fixed assets	**Operating revenue without donor restrictions**	**$ 9,717,789**

COMPOSITE SCORE CALCULATION

			Strength Factor	If >3, then 3	Weight	Score
Primary Reserve Ratio						
Expendable Net Assets	$11,529,583					
Total Expenses and Losses without Donor Restrictions	$ 7,943,923	1.4514	14.5137	3	0.4	1.2
Equity Ratio						
Modified Net Assets	$20,045,242					
Modified Assets	$21,990,854	0.9115	5.4692	3	0.4	1.2
Net Income Ratio						
Change in Net Assets without Donor Restrictions	$ 1,773,866					
Total Revenues and Gains Without Donor Restrictions	$ 9,717,789	0.1825	10.1269	3	0.2	0.6
TOTAL COMPOSITE SCORE						**3.0**

Hobart Institute of Welding Technology
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Program Title	Assistance Listing Number	Grant or Pass Through Number	Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007	N/A	$ 22,034
Federal Pell Grant	84.063	N/A	554,468
Federal Direct Student Loans	84.268	N/A	2,103,291
Total Student Financial Assistance Cluster			2,679,793
COVID-19 - Higher Education Emergency Relief Fund:			
Student Aid Portion	84.425E	N/A	242,943
Institutional Portion	84.425F	N/A	242,943
Fund for the Improvement of Postsecondary Education (FIPSE) Formula Grant	84.425N	N/A	14,114
Total Higher Education Emergency Relief Fund			500,000
Total U.S. Department of Education			3,179,793
Total expenditures of federal awards			$ 3,179,793

See Independent Auditors' Report and accompanying
Notes to the Schedule of Expenditures of Federal Awards.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") reflects the expenditures of Hobart Institute of Welding Technology (the "Institute") under programs of the federal government for the year ended December 31, 2020.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to, and does not, present the financial position, activities and cash flows of the Institute for the year ended December 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

Expenditures for Federal student financial aid programs are recognized as incurred and include Pell program grants to students, the Federal share of students' FSEOG program grants and administrative cost allowances, where applicable. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Institute also makes loans to certain eligible students under Federal student loan programs directly through the U.S. Department of Education; however, only the current loan disbursements under the William D. Ford Federal Direct Loan program are included in the Schedule of Expenditures of Federal Awards, as the related outstanding loan balances are not included as current federal expenditures, as required.

The Institute did not pass-through any federal awards to subrecipients during the year ended December 31, 2020.

The Institute has elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

3. MATCHING REQUIREMENTS

Certain federal programs require the Institute to contribute non-federal funds (matching funds) to support federally-funded programs. The Institute has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule.

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Hobart Institute of Welding Technology
Troy, Ohio

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 Hobart Institute of Welding Technology (the "Institute"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing the 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 Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's 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 Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Institute'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 Institute’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 14, 2021

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Hobart Institute of Welding Technology
Troy, Ohio

Report on Compliance for Each Major Federal Program
We have audited Hobart Institute of Welding Technology's (the "Institute") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute's major federal programs for the year ended December 31, 2020. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on Each Major Federal Program
In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance
Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
May 14, 2021

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)?	None noted

Identification of major programs:

Student Financial Aid Cluster:
CFDA# 84.007 – Federal Supplemental Educational Opportunity Grant
CFDA# 84.063 – Federal Pell Grant
CFDA# 84.268 – Federal Direct Student Loans

Dollar threshold to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Finding 2019-001	CFDA# 84.268 – Federal Direct Student Loans
Condition:	For two disbursements to students in a sample of twenty-five tested, the disbursement date reported in COD did not agree with the disbursement date on the students' statements of account as required by regulations.
Recommendation:	We recommend implementing monitoring procedures to ensure accurate information is reported in the COD system in accordance with federal guidelines.
Current Status:	Corrected. No similar findings were noted in the 2020 audit.