



TechSolve, Inc.

September 30, 2021

Consolidated Financial Statements and
Independent Auditors' Report Including
Supplementary Information

**TECHSOLVE, INC.
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
TechSolve, Inc.
Cincinnati, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of TechSolve, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the 15 month period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TechSolve, Inc. as of September 30, 2021, and the changes in their consolidated net assets and their consolidated cash flows for the 15 month period then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in the notes to the consolidated financial statements, during 2021, TechSolve, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. Our opinion is not modified with respect to this matter.

TechSolve, Inc. changed their fiscal year end from June 30, 2021 to September 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2022 on our consideration of Techsolve, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting, or on compliance. That report is an integral part of audits performed in accordance with Government Auditing Standards in considering Techsolve, Inc.'s internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 26, 2022

TECHSOLVE, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	September 30, 2021
Current Assets	
Cash	\$ 482,210
Accounts Receivable, Net	405,736
Grants Receivable	729,913
Unbilled Receivables	82,381
Inventory	52,570
Prepaid Expenses and Other Assets	100,195
Investments - Operating	10,354
Total Current Assets	1,863,359
Investments - Non Operating	6,270,739
Property and Equipment, Net	2,554,847
Total Assets	\$ 10,688,945

LIABILITIES AND NET ASSETS

Current Liabilities	
Line of Credit	\$ 750,000
Accounts Payable	669,422
Accrued Expenses	491,725
Deferred Contract Revenue	47,360
Deferred Membership Revenue	38,308
Total Liabilities	1,996,815
Net Assets	
Without Donor Restrictions	8,692,130
Total Liabilities and Net Assets	\$ 10,688,945

See accompanying notes.

TECHSOLVE, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

	15 Months Ended September 30, 2021
Revenue and Support	
Consulting Revenue	\$ 1,213,724
Thomas Edison Grant	2,836,133
Other Grants	1,107,513
Seminars and Conferences	56,474
Membership Dues	57,500
Product Sales	1,194,914
Operating Net Investment Revenue	745
Other Revenue	49,638
Total Revenue and Support	6,516,641
Expenses	
Program Services	2,683,075
Management and General	6,193,846
Total Expenses	8,876,921
Deficit of Revenue and Support Over Expenses From Operations	(2,360,280)
Other Changes in Net Assets	
Nonoperating Net Investment Revenue	1,285,458
Change in Net Assets	(1,074,822)
Net Assets, Beginning of Year	9,766,952
Net Assets, End of Year	\$ 8,692,130

See accompanying notes.

TECHSOLVE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
15 Months Ended September 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Benefits	\$ 1,530,845	\$ 4,132,683	\$ 5,663,528
Project Labor and Purchases	304,930	-	304,930
Depreciation	5,869	250,494	256,363
Marketing and Administrative	79,970	358,917	438,887
Travel and Relocation	56,087	46,249	102,336
Project Subcontractors	634,090	410,851	1,044,941
Maintenance	12,083	87,653	99,736
Utilities	-	141,955	141,955
Professional Services	-	502,042	502,042
Professional Development and Recruiting	30,076	124,139	154,215
Temporary Labor	28,524	65,301	93,825
Other Expenses	601	73,562	74,163
Total Expenses by Function	\$ <u>2,683,075</u>	\$ <u>6,193,846</u>	\$ <u>8,876,921</u>

See accompanying notes.

TECHSOLVE, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	15 Months Ended September 30, 2021
Cash Flows From Operating Activities	
Change in Net Assets	\$ (1,074,822)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities	
Depreciation	256,363
Net Investment Return on Investments	(1,286,203)
Changes in Operating Assets and Liabilities	
Accounts Receivable, Net	(200,270)
Grants Receivable	(384,367)
Unbilled Receivables	210,626
Inventory	7,835
Prepaid Expenses and Other Assets	47,778
Accounts Payable	375,985
Accrued Expenses	240,320
Deferred Contract Revenue	16,600
Deferred Membership Revenue	(70,219)
	(1,860,374)
Net Cash Used by Operating Activities	(1,860,374)
Cash Flows From Investing Activities	
Purchases of Property and Equipment	(51,389)
Proceeds From Sale of Investments	2,081,578
Purchase of Investments	(856,579)
	1,173,610
Net Cash Provided by Investing Activities	1,173,610
Cash Flows From Financing Activities	
Change in Line of Credit	750,000
	750,000
Net Change in Cash	63,236
Cash, Beginning of Year	418,974
Cash, End of Year	\$ 482,210

See accompanying notes.

TECHSOLVE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

TechSolve, Inc. (the Organization) was incorporated on December 30, 1982 by the joint efforts of the Organization of Cincinnati (U.C.), the City of Cincinnati (the City), the Cincinnati USA Regional Chamber and several Cincinnati corporations. Its purpose is to enhance the competitiveness of companies by accelerating the implementation of technology and improving business practices, drawing upon the resources of industry, academia, and government. On December 20, 1984, the Organization became a member of Ohio's Thomas Edison Program. In June 2014, TechSolve Manufacturing Solutions, Inc. ("TSMS"), a wholly owned for-profit C-Corporation, was created for the purpose of investing in businesses that provide machining optimization products and related services. Since 2018, TSMS has not held investments in those businesses. In July 2021, the TSMS legally changed its name to Juxtum, Inc. (Juxtum). Juxtum develops and installs customized data collection and reporting software solutions for manufacturing assets to help manufacturers improve operational efficiency and profitability. The consolidated financial statements include the activity of Juxtum, Inc.

The Organization has separated its operation into specialty areas to help manufacturers. These areas include machining improvement services, improving manufacturing and supply chain processes, providing solutions to extract, leverage, and protect data from manufacturing assets, and cybersecurity offerings to help manufacturers with their cybersecurity compliance requirements and, also, help them understand and reduce their cyber related risks.

The Organization's viability is dependent on the success of program services, grants, and the Organization's ability to collect on its contracts with customers.

All significant inter-entity accounts and transactions have been eliminated in consolidation.

The Organization changed their fiscal year end June 30th to September 30th during 2021.

Use of Estimates

The process of preparing consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Certain estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounts and Grants Receivable

Accounts and grants receivable are stated at contractual outstanding balances, net of any allowance for doubtful accounts. Accounts and grants are considered past due if any portion of an account has not been paid in full within the contractual terms of the account or the anticipated due date. The Organization begins to assess its ability to collect receivables that are over 30 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. Accounts and grants receivables are written off as uncollectible after the Organization has used reasonable collection efforts and deems them uncollectible. Based on these criteria, the Organization has estimated an allowance for doubtful accounts for accounts receivables and grants receivables of \$22,550 and \$-0-, respectively, for the 15-month period ended September 30, 2021.

Contract Assets and Liabilities

Contract assets from contracts with customers are reported as unbilled receivables in the accompanying consolidated statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying consolidated statement of financial position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Inventory**

The Organization's inventory is comprised primarily of raw materials and finished products for cast iron chips and inventory for adaptor licenses and material. The inventory is stated at the lower of cost or net realizable value, determined by the first-in, first-out (FIFO) method, or net realizable value.

Investments

The Organization holds investment securities that are considered both operating and non-operating. Non-operating investments are not considered to be part of the Organization's core operations. Although the investments are not part of the Organization's operations, the investments provide diversification of organization assets.

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment return is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents, other securities, and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC). SIPC specifies that in the event of broker-dealer failure, up to \$500,000 of protection is available for each brokerage account. Additionally, there is a limit of \$250,000 for claims of uninvested cash balances within those accounts. The SIPC insurance does not protect against market losses on investments.

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of donation, and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized for items in excess of \$5,000 excluding any computers and computer equipment purchased. All computers purchased are capitalized for tracking purposes.

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings	40 Years
Office Furniture, Software and Equipment	3 - 10 Years

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment. The Organization has determined that no long-lived assets were impaired during the 15-month period ended September 30, 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Operations

Operating results in the consolidated statement of activities reflect all transactions increasing or decreasing net assets except those items associated with nonoperating net investment revenue.

Revenue and Revenue Recognition*Revenue from Contracts with Customers*

Revenue is measured as the amount of consideration expected to be received in exchange for goods or providing services. The Company recognizes contract revenue for financial reporting purposes over time and at a point in time depending on the contractual arrangement.

Revenues from fixed-price contracts are recognized over time using the cost-to-cost input method, which measures progress towards completion based on the percentage of cost incurred to date to estimated total cost for each contract. This method is used because the Company considers total cost to be the best available measure of progress on contracts.

Time and material contracts are those for which the Company has the right to consideration from the customer in an amount that corresponds directly with the value to the customer of performance completed to date. Revenue is recognized when services are performed as measured by direct labor hours incurred and materials used.

Contract costs include all direct material and labor costs as well as an allocation of employee benefit, overhead, and general and administrative costs based on predetermined rates. Provisions for estimated losses on uncompleted contracts are made in the period in which the losses are determined. Changes in contract performance, contract conditions, and estimated profitability may result in revisions to costs and income, which are generally recognized in the period in which the revisions are determined.

Revenue from the sale of software licenses and hardware is recognized at a point in time as determined when the customer obtains control of the asset. The Company makes an assessment of when control transfers which affects the timing of when revenue is recognized.

Contributions

Grants from governmental agencies are earned based on agreed allowable costs for services provided. These are considered cost reimbursement basis grants. In the case of government grants, reimbursement is based on allowable costs expended for program services. Therefore, revenue is recognized as earned as reimbursable costs are expended for the program. Program payments under cost reimbursement contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Retirement Plan

The Organization sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The Plan provides employees that meet certain eligibility requirements may voluntarily contribute up to 100% of their earnings to the Plan, up to the maximum contribution allowed by the Internal Revenue Service. The Organization provides matching funds of 100% of employee contributions up to 5% of the employee's earnings. By its nature, the Plan is fully funded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The only expense that is allocated is depreciation, which are allocated on a square footage basis. All other expenses are based on actual time and effort.

Income Tax Status

TechSolve, Inc. is an Ohio nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code.

Juxtum, Inc. is taxed as a 'C' Corporation under the Internal Revenue Code and similar state law. The Organization has no provision for Federal and state income taxes in the consolidated financial statements due to recurring losses sustained by the Organization.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the consolidated statement of activities for the 15-month period ended September 30, 2021. If the situation arose in which the Organization would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statute of limitations and remain subject to review and change. The Organization is not currently under audit, nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the 15-month period ended September 30, 2021.

Recently Issued Significant Accounting Standards*Lease Accounting Standard*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2021.

The Organization is currently in the process of evaluating the impact of adoption of this ASU on their consolidated financial statements.

Change in Accounting Principle

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes, or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these consolidated financial statements accordingly.

The new Topic 606 will be referred to as the "new guidance."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization adopted the requirements of the new guidance as of July 1, 2020, utilizing the modified retrospective method of transition. However, the adoption of this new guidance did not result in the Organization changing its policies for recognizing revenue and thus no cumulative adjustment to the Organization's net assets as of July 1, 2020, was necessary. The amounts reported in the financial statements for 2020 are the same amounts that would have been reported under the former guidance.

Subsequent Events

The Organization has evaluated subsequent events through February 26, 2022, which is the date the consolidated financial statements were available to be issued.

NOTE 2 - LIQUIDITY

Financial assets available for general use and without donor or other restrictions or designations limiting their use, within one year of the consolidated statement of financial position are comprised of the following:

	September 30, 2021
Cash	\$ 482,210
Accounts Receivable, Net	405,736
Grants Receivable	729,913
Unbilled Receivables	82,381
Investments	<u>6,281,093</u>
Total Financial Assets Available	<u>\$ 7,981,333</u>

NOTE 3 - CASH AND CASH FLOWS

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and cash held in a checking account.

At various times throughout the year, the Organization may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each business depositor.

Cash paid for interest was \$12,747 in 2021.

NOTE 4 - INVESTMENTS

Investments consisted of the following:

Cash and Cash Equivalents	\$ 202,503
Mutual Funds - Fixed Income	2,112,657
Mutual Funds and ETFs	<u>3,965,933</u>
Total Investments	<u>\$ 6,281,093</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

LEVEL 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

LEVEL 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LEVEL 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following are the descriptions of the valuation methodologies used for marketable securities measured at fair value. There have been no changes in the methodologies used at September 30, 2021.

Cash and Cash Equivalents Including Money Market Funds - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Mutual Funds - Fixed Income - Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

Mutual Funds and ETFs - Valued at the net asset value (NAV) of shares held by the Organization at year end.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the operating date.

All investments were valued at Level 1 at September 30, 2021.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credits risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the consolidated statements of financial position.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consist of the following:

	September 30, 2021
Land	\$ 804,485
Buildings	2,461,483
Office Furniture, Software and Equipment	<u>7,825,014</u>
	11,090,982
Less Accumulated Depreciation	<u>8,536,135</u>
Total Property and Equipment, Net	<u>\$ 2,554,847</u>

NOTE 7 - CONTRACT BALANCES

Receivables and contract balances from contracts with customers were as follows:

	Year Ended September 30, 2021
Accounts Receivable, Net	
Beginning of Year	\$ 205,466
End of Year	\$ 405,736
Unbilled Receivables	
Beginning of Year	\$ 293,007
End of Year	\$ 82,381
Deferred Contract Revenue	
Beginning of Year	\$ 30,760
End of Year	\$ 47,360
Deferred Membership Revenue	
Beginning of Year	\$ 108,527
End of Year	\$ 38,308

NOTE 8 - LINE OF CREDIT

The Organization has available a \$750,000 revolving line of credit agreement with a bank, collateralized by unrestricted assets held in investments by the Organization. The line of credit charges interest at the 1-Month U.S. LIBOR rate plus 1.85%. The minimum 1-Month U.S. LIBOR rate is 0.75%, resulting in interest charged at 2.60% at September 30, 2021. The line expires in April 2022 and is subject to certain financial covenants, all of which were either met or waived by the bank as of September 30, 2021.

NOTE 9 - OPERATING LEASES**Office Equipment**

The Organization leases office equipment expiring in April 2026. The Organization incurred lease expenses related to this lease of \$25,591 for the 15-month period ended September 30, 2021.

The following are the net minimum lease payments for the remainder of this lease:

<u>Years Ending</u> <u>September 30,</u>		
2022	\$	11,296
2023		11,296
2024		11,296
2025		11,296
2026		<u>6,589</u>
	\$	<u><u>51,773</u></u>

NOTE 10 - RETIREMENT PLAN EXPENSE

During the 15-month period ended September 30, 2021, the Organization incurred expenses related to the Organization sponsored retirement plan in the amount of \$134,385.

NOTE 11 - ADVERTISING EXPENSE

The Organization incurred advertising expense of \$105,359 for the 15-month period ended September 30, 2021.

NOTE 12 - CONCENTRATIONS

During the 15-month period ended September 30, 2021, the Organization had two customers that accounted for approximately 46% of total revenues and support.

NOTE 13 - CONTINGENCIES

Expenditures under federal and state grants and contracts are subject to audit to determine if expenditures allocated to the grants and contracts are allowable. Any disallowed costs or services from these audits may require repayment to the grantors. Management has not been made aware of any material grant expenditures that will be disallowed.

The Organization is subject to claims and lawsuits which arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, changes in net assets, and cash flows of the Organization.

NOTE 14 - RISKS AND UNCERTAINTIES - COVID-19 OUTBREAK

In 2020, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the World and within the United States. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the Organization.

SUPPLEMENTARY INFORMATION

TECHSOLVE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
15 Months Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Number	Entity Pass-Through Identifying or Other Pass-Through Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Commerce</u>				
<u>Passed-Through National Institute of Standards and Technology</u>				
Measurement and Engineering Research Standards	11.609	70NANB19H085	\$ -	\$ 43,866
<u>Passed-Through Ohio Development Services Agency</u>				
Manufacturing Extension Partnership	11.611	MEPG20200049	-	618,622
Manufacturing Extension Partnership	11.611	MEPG20210813	-	1,050,000
Manufacturing Extension Partnership	11.611	MEPG20200521	-	203,474
Manufacturing Extension Partnership	11.611	MEPG20210840	-	4,930
Subtotal Manufacturing Extension Partnership			-	1,877,026
Total U.S. Department of Commerce			-	1,920,892
<u>U.S. Office of Economic Adjustment</u>				
<u>Passed-Through Ohio Development Services Agency</u>				
Community Investment Program	12.600	MEPG20210502	-	187,967
<u>U.S. Department of Labor</u>				
<u>Passed-Through Lorain County Community College</u>				
H-1B Job Training Grants	17.268	DOL-ETA HG-33034-19-60-A-39	40,935	112,633
<u>U.S. Army Research Office</u>				
<u>Passed-Through UI LABS, d/b/a MXD USA</u>				
Basic Scientific Research	12.431	W15QKN-19-3-0003	141,152	141,152
Total Expenditures of Federal Awards			\$ 182,087	\$ 2,362,644

See accompanying notes.

TECHSOLVE, INC.
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
15 Month Period Ended September 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards (the "Schedule") include the federal award activity of TechSolve, Inc. under programs of the federal government for the 15 month period ended September 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of TechSolve, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of TechSolve, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. TechSolve, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

The Board of Directors
TechSolve, Inc.
Cincinnati, 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 consolidated financial statements of TechSolve, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the 15 months then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 26, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Techsolve, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Techsolve, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Techsolve, Inc.'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 consolidated 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

VonLehman & Company Inc.

Fort Wright, Kentucky
February 26, 2022

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

The Board of Directors
TechSolve, Inc.
Cincinnati, Ohio

Report on Compliance for Each Major Federal Program

We have audited The Techsolve, Inc. with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Techsolve, Inc.'s major federal programs for the 15 month period ended September 30, 2021. Techsolve, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Managements' Responsibility

Management is responsible for compliance with the 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 Techsolve, Inc.'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; 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 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 Techsolve, Inc.'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 Techsolve, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Techsolve, Inc. 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 15-month period ended September 30, 2021.



Report on Internal Control Over Compliance

Management of Techsolve, Inc. 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 Techsolve, Inc.'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 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 Techsolve, Inc.'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 a 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 26, 2022

TECHSOLVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
15 Month Period Ended September 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

CONSOLIDATED FINANCIAL STATEMENTS	
Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Noncompliance material to consolidated financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs: ALN Number(s)	• Manufacturing Extension Partnership [ALN 11.611]
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - CONSOLIDATED FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TECHSOLVE, INC.
SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
15 Month Period Ended September 30, 2021

CONSOLIDATED FINANCIAL STATEMENT FINDINGS

Finding 2019-001: Revenue Recognition

During the audit, it was noted that multiple contracts were not properly being recognized based on the costs incurred to date in relation to estimated costs to complete such contracts.

Status Update: There were no findings in the 15 Month Period Ended September 30, 2021 in regard to recognition of exchange transaction on contracts.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.