

Ohio Aerospace Institute and Subsidiary

Financial Statements
June 30, 2022

Cohen & Co

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OHIO AEROSPACE INSTITUTE AND SUBSIDIARY

JUNE 30, 2022

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Independent Auditors' Report

Board of Trustees
Ohio Aerospace Institute and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ohio Aerospace Institute and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ohio Aerospace Institute and Subsidiary as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ohio Aerospace Institute and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ohio Aerospace Institute and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Report on Summarized Comparative Information

We have previously audited Ohio Aerospace Institute and Subsidiary's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary 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 Part 200, *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 schedule of expenditures of federal awards 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 November 3, 2022, on our consideration of Ohio Aerospace Institute and Subsidiary'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 Ohio Aerospace Institute and Subsidiary'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 Ohio Aerospace Institute and Subsidiary's internal control over financial reporting and compliance.

Cohen & Company Ltd.

Cleveland, Ohio
November 3, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022,
WITH COMPARATIVE TOTALS FOR 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,305,818 | \$ 2,034,725 |
| Funds held for others | 135,099 | 78,787 |
| Accounts receivable - Net | 1,464,458 | 1,678,366 |
| Prepays and deposits | 116,881 | 86,503 |
| | 4,022,256 | 3,878,381 |
| PROPERTY, PLANT, AND EQUIPMENT - AT COST | | |
| Building | 9,268,949 | 9,268,949 |
| Improvements | 1,081,342 | 1,070,857 |
| Equipment | 1,685,751 | 1,499,981 |
| | 12,036,042 | 11,839,787 |
| Less: Accumulated depreciation | 7,256,700 | 6,908,580 |
| | 4,779,342 | 4,931,207 |
| | \$ 8,801,598 | \$ 8,809,588 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Current portion of note payable | \$ 160,180 | \$ 699,573 |
| Accounts payable | 203,565 | 259,815 |
| Accrued expenses | 70,473 | 87,913 |
| Accrued salaries and vacation | 567,086 | 607,760 |
| Funds held for others | 135,099 | 78,787 |
| Deferred revenue | 1,847,079 | 1,108,680 |
| Total current liabilities | 2,983,482 | 2,842,528 |
| LONG-TERM LIABILITY | | |
| Note payable | 297,847 | 458,027 |
| NET ASSETS | | |
| Without donor restrictions | 1,766,345 | 1,569,730 |
| With donor restrictions - Net building investment | 3,753,924 | 3,939,303 |
| | 5,520,269 | 5,509,033 |
| | \$ 8,801,598 | \$ 8,809,588 |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022,
WITH COMPARATIVE TOTALS FOR 2021

| | 2022 | | | 2021 |
|--|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| SUPPORT AND REVENUE | | | | |
| Grant revenue | \$ 7,379,321 | | \$ 7,379,321 | \$ 9,138,052 |
| Consortia | 318,447 | | 318,447 | 274,735 |
| Membership | 90,154 | | 90,154 | 43,258 |
| Building rental | 423,922 | | 423,922 | 463,704 |
| Registration fees | 91,312 | | 91,312 | 6,847 |
| Forgiveness of Paycheck Protection Program loan | 544,150 | | 544,150 | |
| Interest and other | 23,506 | | 23,506 | 12,883 |
| | <u>8,870,812</u> | | <u>8,870,812</u> | <u>9,939,479</u> |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 185,379 | \$ (185,379) | | |
| | <u>9,056,191</u> | <u>(185,379)</u> | <u>8,870,812</u> | <u>9,939,479</u> |
| EXPENSES | | | | |
| Program services | 7,287,362 | | 7,287,362 | 8,911,601 |
| Management and general | 1,572,214 | | 1,572,214 | 1,530,989 |
| | <u>8,859,576</u> | | <u>8,859,576</u> | <u>10,442,590</u> |
| CHANGE IN NET ASSETS BEFORE PROVISIONAL RATE ADJUSTMENT | 196,615 | (185,379) | 11,236 | (503,111) |
| PROVISIONAL RATE ADJUSTMENT | | | | <u>82,271</u> |
| CHANGE IN NET ASSETS | 196,615 | (185,379) | 11,236 | (420,840) |
| NET ASSETS - BEGINNING OF YEAR | <u>1,569,730</u> | <u>3,939,303</u> | <u>5,509,033</u> | <u>5,929,873</u> |
| NET ASSETS - END OF YEAR | <u>\$ 1,766,345</u> | <u>\$ 3,753,924</u> | <u>\$ 5,520,269</u> | <u>\$ 5,509,033</u> |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022, WITH COMPARATIVE TOTALS FOR 2021

| | PROGRAM SERVICES | | | | | Total Program Services | SUPPORTING SERVICES | TOTAL EXPENSES | 2021 EXPENSES |
|------------------------------------|----------------------|---|---|--|------------------------------|------------------------------|---------------------------|---------------------|----------------------|
| | Research Services | Innovation Partnerships and Consortia | Education and Workforce Development | Technology Driven Economic Development | OAI Membership and Events | | Management and General | | |
| Compensation | \$ 2,984,946 | \$ 332,457 | \$ 520,400 | \$ 638,548 | \$ 171,091 | \$ 4,647,442 | \$ 428,425 | \$ 5,075,867 | \$ 5,347,547 |
| Education facilitation | | 4,500 | 799,434 | | | 803,934 | | 803,934 | 898,287 |
| Grants | 269,884 | 661,101 | 15,953 | 209,088 | | 1,156,026 | | 1,156,026 | 2,638,844 |
| Contractor services | 38,771 | 164,547 | 11,105 | 126,692 | 2,165 | 343,280 | 320,709 | 663,989 | 505,329 |
| Office and general administrative | 23,075 | 10,438 | 5,806 | 5,157 | 30,876 | 75,352 | 154,109 | 229,461 | 239,500 |
| Facilities and insurance | 76,733 | 8,546 | 13,378 | 16,561 | 5,102 | 120,320 | 651,531 | 771,851 | 775,708 |
| Conferences, events, and meetings | 3,268 | 2,046 | 10,967 | 9,895 | 53,874 | 80,050 | 11,489 | 91,539 | 30,705 |
| Employee travel and reimbursements | 11,613 | 4,843 | 9,783 | 29,736 | 4,983 | 60,958 | 5,951 | 66,909 | 6,670 |
| Total expenses | <u>\$ 3,408,290</u> | <u>\$ 1,188,478</u> | <u>\$ 1,386,826</u> | <u>\$ 1,035,677</u> | <u>\$ 268,091</u> | <u>\$ 7,287,362</u> | <u>\$ 1,572,214</u> | <u>\$ 8,859,576</u> | <u>\$ 10,442,590</u> |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022,
WITH COMPARATIVE TOTALS FOR 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|-----------------------------|
| CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES | | |
| Change in net assets | \$ 11,236 | \$ (420,840) |
| Noncash items included in change in net assets | | |
| Depreciation | 348,120 | 336,849 |
| Forgiveness of Paycheck Protection Program loan | (544,150) | |
| Increase (decrease) in cash and cash equivalents caused by changes in current items | | |
| Accounts receivable - Net | 213,908 | (28,970) |
| Prepays and deposits | (30,378) | (25,506) |
| Accounts payable | (56,250) | (193,165) |
| Accrued expenses | (17,440) | (82,271) |
| Accrued salaries and vacation | (40,674) | 101,395 |
| Deferred revenue | 738,399 | (202,734) |
| Net cash flows provided from (used in) operations | <u>622,771</u> | <u>(515,242)</u> |
| CASH FLOWS USED IN INVESTING ACTIVITY | | |
| Purchase of property, plant, and equipment | <u>(196,255)</u> | <u>(47,580)</u> |
| CASH FLOWS USED IN FINANCING ACTIVITY | | |
| Repayments of long-term debt | <u>(155,423)</u> | <u> </u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 271,093 | (562,822) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>2,034,725</u> | <u>2,597,547</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 2,305,818</u> | <u>\$ 2,034,725</u> |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Ohio Aerospace Institute (OAI), and its wholly-owned subsidiary, Great Lakes Biomimicry, Inc. (GLB), collectively referred to as the Institute. All material intercompany accounts and transactions have been eliminated in consolidation

In August 2021, GLB was acquired by OAI in order to advance the long-term abilities to provide and promote aerospace and aeronautical education. No consideration was transferred in conjunction with the acquisition (see Note 3).

OAI was incorporated on May 23, 1989, as a not-for-profit corporation. Its mission is to build Ohio's aerospace economy through research and technology development, education and training, and collaboration and information exchange. The Internal Revenue Service has ruled that the Institute qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present Federal income tax laws. Net income derived from unrelated business activity by OAI is subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

COVID-19 Impact

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Institute and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which it operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Forgivable Loans

Absent specific guidance in GAAP, the Institute accounts for forgivable loans as debt in accordance with Accounting Standards Codification (ASC) 470 and accrues interest in accordance with the interest method under ASC 835-30. Accordingly, proceeds from such loans are recorded as a liability until either the loan is, in part or wholly forgiven and the debt has been legally released or the loan is paid off. In addition, the Institute has elected to classify the liability based on contractual terms.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue RecognitionContracts with Customers

The Institute's revenue is principally from contracts with customer (consortia revenue) and government agencies (grant revenue) to provide research and technology development services with specific requirements. The Institute regularly enters into long-term agreements that establish general terms and conditions and may define specific requirements. The Institute generally enters into agreements directly with its customers and is the principal in all current contracts. Revenue under long-term contracts with performance obligations satisfied over time are recognized using an output method. The Institute recognizes revenue over time as it performs on these contracts because of the continuous transfer of control to the customer as represented by contractual terms that entitle the Institute to the reimbursement of costs plus a reasonable profit for research and development services performed. These contracts may include a series of agreed upon services that are not separately identifiable from other promises in the contract and therefore consist of a single performance obligation.

Revenue related to certain grants and contracts may be subject to review and retroactive adjustment. Provisions for estimated adjustments are recorded in the year services are rendered. Any adjustments to the provisions are recorded in the year the amounts are determined.

Differences in the timing of revenue recognition and contractual billing and payment terms result in the recognition of contract assets and liabilities. Contract assets or unbilled accounts receivable primarily represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed. Contract liabilities or deferred revenue primarily represent cash received that is in excess of revenues recognized and is contingent upon the satisfaction of performance obligations. Unbilled accounts receivable amounted to \$774,554 and \$977,595 at June 30, 2022 and July 1, 2021, respectively, and is included in accounts receivable on the consolidated statement of financial position. Deferred revenue amounted to \$795,716 and \$793,680 as of June 30, 2022 and July 1, 2021, respectively.

The Institute elected the following practical expedients and policy elections when recognizing revenue and related contract costs: (1) the transaction price is not adjusted for any significant financing component, as the expected time period between when the Institute transfers the promised goods to the customer and payment is less than one year, (2) ASC 606 is applied to a portfolio of contracts (or performance obligations) with similar characteristics, and (3) for research and development contracts recognized over time, the Institute recognizes revenue in the amount to which the Institute has a right to invoice.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)Contribution Revenue

Contributions are recognized when the donor makes a promise to give to the Institute that is, in substance, unconditional. Conditional promises to give - that is, those with measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All donor-restricted support that was initially a conditional contribution and for which donor-imposed conditions and restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

A portion of the Institute's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Institute received cost-reimbursable grants of approximately \$1,500,000 that have not been recognized at June 30, 2022, because qualifying expenditures have not yet been incurred, with an advanced payment of approximately \$1,052,000, recognized in the statement of financial position as deferred revenue at June 30, 2022. Grantors may, at their discretion, request reimbursement for unallowed expenses as a result of noncompliance by the Institute with the terms of the grant. On certain grants, if advances exceed eligible costs, the funds must be returned to the grantor. No funding was required to be returned at June 30, 2022.

Rental Income

A portion of the Institute's building rental income is recognized under ASC 840, *Leases*, and as such, ASC 606 does not apply. Rental income is recorded on a monthly basis in line with the contract the Institute has with the tenant and/or third-party payors.

Accounting Estimates

Management uses estimates and assumptions in preparing its consolidated financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be material.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, including an overnight sweep account. The Institute's cash balances include funds received for use in its programs. The Institute maintains cash balances at a financial institution which, at times, may exceed the amount of related Federal insurance.

Concentration of Credit Risk

The Institute receives substantially all of its revenue from grants and contracts from various government agencies. During the year ended June 30, 2022, the Institute received approximately 78% of its revenue from governmental agencies, including 34% from the U.S. Department of Defense and 14% of its revenue from the National Aeronautics and Space Administration (NASA).

At June 30, 2022, approximately 91% of the outstanding receivables were from governmental agencies. Although there are other funding sources available, the loss of funding from either agency would significantly affect the Institute's ability to render services.

Funds Held for Others

The Institute holds funds in both commingled and separate bank accounts and acts as fiscal agent for one organization. At the conclusion of the relationship, the Institute will remit all remaining cash to the organization.

Income Taxes

The Institute recognizes and discloses uncertain tax positions in accordance with GAAP. As of and for the year ended June 30, 2022, the Institute did not have a liability for unrecognized tax benefits.

Accounts Receivable

Accounts receivable includes billed and unbilled grants and contracts and program service fees due to the Institute. The program service fees are due under various payment terms. Accounts receivable are stated at the amounts billed or billable to the grantor and do not accrue interest.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management reviews all receivable balances that exceed 90 days from invoice date and based on an assessment of current collectability, estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining balance based on prior collection history. When receivables are determined to be uncollectible, they are written off against the allowance. Management has recorded an allowance in the amount of \$90,528 at June 30, 2022.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant, and Equipment

Property, plant, and equipment purchased by the Institute is recorded at cost. Donated property, plant, and equipment is recorded at estimated fair value at the date of donation. Depreciation of building and improvements is provided by use of the straight-line method over the estimated useful life of 50 years. Depreciation expense for the year ended June 30, 2022, totaled \$185,379 for the building and \$21,417 for the improvements.

Depreciation of equipment is provided by use of the straight-line method over the estimated useful lives of the assets ranging from three to five years. Repairs and maintenance are expensed as incurred. Depreciation expense for equipment for the year ended June 30, 2022, amounted to \$141,324.

Functional Allocation of Expenses

The statements of activities and functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, education facilitation, grants, contractor services, and other general operating expenses, which are allocated on the basis of estimates of time and effort.

Subsequent Events

Management has evaluated subsequent events through November 3, 2022, the date the financial statements were available to be issued.

3. BUSINESS COMBINATION

In August 2021, under an Affiliation Agreement, OAI became the sole member of GLB. There was no consideration paid by OAI under the agreement. The estimated fair value of the assets acquired was immaterial and there were no liabilities assumed. The difference in the consideration paid and the fair value of the assets acquired was recorded as contribution revenue in accordance with GAAP. Contribution revenue related to the transaction was immaterial and included in interest and other on the consolidated statement of activities.

4. LIQUIDITY AND AVAILABILITY

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. In addition, the Institute invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Institute has a committed line of credit in the amount of \$1,000,000 to be drawn upon if necessary.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY (Continued)

The Institute's financial assets available to meet cash needs for general expenditures within one year were as follows at June 30, 2022:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 2,305,818 |
| Accounts receivable - Net | <u>1,464,458</u> |
| Total financial assets at year-end | 3,770,276 |
| Less: Amounts unavailable for general expenditures within one year (note payable) | <u>160,180</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 3,610,096</u> |

5. LINE OF CREDIT

The Institute has available a line of credit with a bank in the amount of \$1,000,000, expiring March 31, 2023. The line is secured by receivables and equipment, and bears interest at the daily London Interbank Offered Rate (2.74% at June 30, 2022) plus 2.75%. At June 30, 2022, there is no balance outstanding. No interest was paid on the line in 2022. The line of credit is renewable annually.

The line of credit agreement contains certain non-financial covenants, as defined. Management believes the Institute is in compliance with these covenants.

6. NOTE PAYABLE

The Institute has a note, payable to a bank with interest at 1%, maturing January 2025, guaranteed by the Small Business Administration (SBA)'s Paycheck Protection Program (PPP).

The PPP loan may be partially or fully forgiven in accordance with the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act) subject to the satisfaction of certain conditions, as defined in the loan agreement. Management met the requirements for partial forgiveness and in September 2021, partial forgiveness was granted by the SBA. Accordingly, the Institute has recognized \$544,150 of the loan proceeds in income in the accompanying consolidated statement of activities.

At June 30, 2022, future maturities of the note payable are as follows:

| | |
|-----------------------------|-------------------|
| <u>Year ending June 30,</u> | |
| 2023 | \$ 160,180 |
| 2024 | 161,784 |
| 2025 | <u>136,063</u> |
| | <u>\$ 458,027</u> |

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

7. COMMITMENTS

The Institute has a land lease with NASA. The lease requires that the Institute use the premises for the conduct of aeronautical and space research, the education and training of aeronautical and space engineers and scientists, and the transfer of aeronautical and space technology between the United States public and private sectors. The Institute must also maintain its not-for-profit status. The property that is the subject of this lease is provided at no cost to the Institute by NASA under the terms of the in-kind lease agreement. The original fifteen-year lease was renewed on April 2021, for an additional thirty-year period which will terminate in April 2051.

8. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022, net assets with donor restrictions consist of the building which is on land leased from NASA (as more fully explained in Note 7). The building is restricted to use for the conduct of aeronautical and space research, the education and training of aeronautical and space engineers and scientists, and the transfer of aeronautical and space technology between the United States public and private sectors. Net assets are released as depreciation of the building is recognized. Depreciation expense for the year ended June 30, 2022, totaled \$185,379.

9. RETIREMENT PLANS

The Institute sponsors two qualified pension plans, a Section 403(b) defined contribution (DC) plan (the Plan) and a supplementary plan that does not allow for employer contributions. A percentage (as determined by the Board of Trustees) of gross salary is contributed to the Plan for each employee after three months of full-time employment and at least a 4% contribution by the employee. Amounts contributed and expensed related to the Plan for the year ended June 30, 2022, were \$177,847. The supplementary plan allows employees to contribute to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). TIAA-CREF is a multiple employer defined contribution plan. TIAA-CREF accounts for the assets of the retirement plan; accordingly, the assets of TIAA-CREF are not reflected in the accompanying financial statements.

10. RELATED PARTIES

In 2022, the Institute purchased \$418,660 of subcontractor services from universities and businesses with representatives on its Board of Trustees.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

11. REVENUES

Disaggregation of Revenue

The Institute's revenue from exchange transactions is included in grant, consortia, membership, and registration fees. The Institute disaggregates revenue by projects and funding sources. The accompanying statement of activities shows those disaggregated revenue streams for the year ended June 30, 2022. Approximately \$8,040,000 of revenue is generated from exchange transactions.

OHIO AEROSPACE INSTITUTE AND SUBSIDIARY

SUPPLEMENTAL FINANCIAL INFORMATION

JUNE 30, 2022

| | |
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

| Federal Grantor/Pass-Through Grantor/Identifying Number/Program Title | Assistance Listing # | Passed Through to Subrecipients | Expenditures |
|--|---|---------------------------------------|---------------------|
| Research and Development Cluster | | | |
| NASA-Goddard: | | | |
| Direct Programs: | | | |
| 80NSSC19K1029 | Venus In-Situ Surface Imager (PICASSO) | 43.001 | \$ 4,021 |
| | | | \$ 15,774 |
| Total NASA-Goddard Direct Programs | | | \$ 4,021 |
| | | | \$ 15,774 |
| NASA-Glenn: | | | |
| Direct Programs: | | | |
| PC11874689 | Fall Semester 2021 Internship (OSGC) | 43.unknown | \$ - |
| | | | \$ 8,736 |
| PC11906939 | Community Industrial Assistantship | 43.unknown | \$ - |
| | | | \$ 2,076 |
| 80NSSC20K1127 | AARC - NASA Funded Portion 2019-2020 | 43.002 | \$ 9,456 |
| | | | \$ 35,833 |
| 80NSSC21P2445 | Fit2Fly Technical Meeting | 43.unknown | \$ - |
| | | | \$ 451 |
| 80NSSC21P2658 | Centrifuge Operations for DPC Prototypes | 43.unknown | \$ 3,717 |
| | | | \$ 5,448 |
| Total NASA-Glenn Direct Programs | | | \$ 13,173 |
| | | | \$ 52,544 |
| NASA - Headquarters | | | |
| Direct Programs: | | | |
| 80NSSC19K0999 | Interstellar, aka Breakthrough Propulsion Study | 43.012 | \$ - |
| | | | \$ 16,907 |
| 80NSSC20K0466 | Structural Analysis of Venus Ridge Belts Using High Resolution Stereo-Derived Topography | 43.001 | \$ 19,035 |
| | | | \$ 40,300 |
| 80NSSC21K0953 | Lofted Environmental Venus Sensors (LEAVES) Phase II | 43.001 | \$ 91,447 |
| | | | \$ 125,512 |
| Total NASA-Headquarters Direct Programs | | | \$ 110,482 |
| | | | \$ 182,719 |
| NASA - Langley | | | |
| Direct Programs: | | | |
| 80NSSC20M0125 | Ohio Space Grant Consortium - National Space Grant College and Fellowship Program - Opportunities in NASA STEM FY 2020-2024 | 43.008 | \$ - |
| | | | \$ 762,174 |
| Total NASA-Langley Direct Programs | | | \$ - |
| | | | \$ 762,174 |
| Total NASA Direct Programs | | | \$ 127,676 |
| | | | \$ 1,013,211 |
| Pass-Through Programs From: | | | |
| HX5 | | | |
| Sub #OAIIN20D03; Prime #80GRC02D0003 | GEARS (Planetary Science for Venus and Other Solar System Exploration) | 43.unknown | \$ - |
| | | | \$ 142,241 |
| Sub #OAIIN20D03; Prime #80GRC02D0003 | GEARS (Packing Technology for High Temperature SiC Microsystems) | 43.unknown | \$ - |
| | | | \$ 268,417 |
| Sub #OAIIN20D03; Prime #80GRC02D0003 | GEARS (Ice-crystal Icing Physic Studies) | 43.unknown | \$ - |
| | | | \$ 250,580 |
| Sub #OAIIN20D03; Prime #80GRC02D0003 | GEARS (Fracture and reliability of brittle optical and structural materials) | 43.unknown | \$ - |
| | | | \$ 383,939 |
| Sub #OAIIN20D03; Prime #80GRC02D0003 | GEARS (In-flight Icing Studies) | 43.unknown | \$ - |
| | | | \$ 308,125 |
| Sub #OAIIN20D03; Prime #80GRC02D0003 | GEARS (SEP Project PPE Electric Propulsion) | 43.unknown | \$ - |
| | | | \$ 221,304 |
| Paragon TEC, Inc. | Support for GRC Watts on the Moon Centennial Challenge Work | 43.unknown | \$ - |
| | | | \$ 45,127 |
| Prime #80GRC019D0001 | Masten Space Systems, Inc. | 43.unknown | \$ - |
| | | | \$ 15,006 |
| Sub #21C0009MSS0001; Prime #80AFRC21C0009 | Metal Oxidation Warming System Fuel Cell Tipping Point | 43.unknown | \$ - |
| | | | \$ 15,006 |
| Zin Technologies | Support of NASA's Communications Services Program (CSP) | 43.unknown | \$ 14,931 |
| Sub #SpaceDOC-2020-004; Prime #NNC14CA02C | | | \$ 189,857 |
| Total NASA Pass-Through Programs | | | \$ 14,931 |
| | | | \$ 1,824,596 |
| Total NASA Programs | | | \$ 142,607 |
| | | | \$ 2,837,807 |

See notes to schedule of expenditures of federal awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 2022

| Federal Grantor/Pass-Through Grantor/Identifying Number/Program Title | Assistance Listing # | Passed Through to Subrecipients | Expenditures |
|---|--|---------------------------------------|--------------------------------|
| Department of Defense (DOD): | | | |
| Direct Programs: | | | |
| FA8650-16-C-2644 | Collaborative Research and Design for Innovative Aerospace Leadership (CRDInAL) Thrust 1: "Vehicle Aerodynamics, High Speed Aerodynamics" | 12.unknown | \$ 96,399 \$ 2,000,648 |
| FA8650-09-2-7929 | Sr. Capstone Project | 12.unknown | \$ 15,953 \$ 34,167 |
| FA8650-14-D-2410, D004 | Digital Twin/Digital Thread | 12.unknown | \$ - \$ 3,182 |
| FA8650-14-D-2410, D005 | DIRCT | 12.unknown | \$ 662 \$ 7,010 |
| FA8650-14-D-2410, D006 | ELEHM | 12.unknown | \$ 267,031 \$ 434,230 |
| FA8650-14-D-2410, D007 | R&MBO | 12.unknown | \$ 25,900 \$ 76,738 |
| FA8650-14-D-2410, D008 | OSCIPT for DIRCT | 12.unknown | \$ 132,209 \$ 190,069 |
| FA8650-15-C-2510 | Air Force Defense Research Sciences Program - Aircraft Drag Reduction | 12.800 | \$ 59,682 \$ 73,123 |
| Total DOD Direct Programs | | | \$ 597,836 \$ 2,819,167 |
| Pass-Through Programs From: | | | |
| University of Dayton Research Institute | | | |
| FA8650-16-C-2641 | Collaborative Research and Design for Innovative Aerospace Leadership (CRDInAL) Thrust 2: Design and analysis Technologies, Aerospace Structures | 12.unknown | \$ - \$ 16,616 |
| ARCTOS Technology Solutions, LLC Prime Contract: FA8650-21-D-2014; Task Order: FA8650-21-F-2015 | ABD 900 Material Characterization for High Temperature Applications | 43.unknown | \$ 55,263 \$ 89,270 |
| Inductive Ventures FA8649-21-P-0088 | Magnetic Braking Systems for Electric Aircraft Applications Magnetic Braking Systems for Electric Aircraft Applications (Phase II) | 43.unknown | \$ - \$ 4,535 |
| FA8649-22-P-1034 Engineered Products, Inc. AFX20D-TSC01-0121 | Self-Configuring RFID Control Module | 43.unknown | \$ - \$ 6,383 |
| Parallax Advanced Research Corporation Sub #11186-002' PIA FA8650-19-3-9341' Collaborative Project No. FA8650-19-3-9342 | Air Force Academic Partnership and Engagement Experiment (APEX) | | \$ - \$ 305,501 |
| Total DOD Pass-Through Programs | | | \$ 55,263 \$ 424,636 |
| Total Department of Defense Programs | | | \$ 653,099 \$ 3,243,803 |
| Total Research and Development Cluster | | | \$ 795,706 \$ 6,081,610 |
| Small Business Administration: | | | |
| Direct Programs: | | | |
| SBAHQ-19-G-0016 | Federal and State Technology Partnership Program | 59.058 | \$ - \$ 953 |
| SBAOIF2000016-01-00 | Federal and State Technology Partnership Program | 59.058 | \$ - \$ 130,342 |
| Total Small Business Administration Direct Programs | | | \$ - \$ 131,295 |
| Office of Economic Adjustment (OEA) | | | |
| Pass-Through Programs From: | | | |
| Ohio Development Services Agency | | | |
| OEA-20-F-0004 | Ohio Defense Manufacturing Support Community | 12.600 | \$ - \$ 251,663 |
| Total Office of Economic Adjustment | | | \$ - \$ 251,663 |
| Department of Commerce: | | | |
| Pass-Through Programs From: | | | |
| Economic Development Administration: | | | |
| ED21HDQ0240090 | Center for Advanced Air Mobility Initiative (CAAM-I) | 11.024 | \$ 61,088 \$ 145,595 |
| International Trade Administration: | | | |
| IT21INA1120008 | Market Development Cooperator Program | 11.112 | \$ - \$ 79,113 |
| Pass-Through Programs From: | | | |
| MAGNET (ED22HDQ3070057) | Northeast Ohio's Advanced Manufacturing Cluster: Smart Manufacturing and Advanced Materials | 11.307 | \$ - \$ 51,169 |
| Total Department of Commerce | | | \$ 61,088 \$ 275,877 |
| Total Expenditures of Federal Awards | | | \$ 856,794 \$ 6,740,445 |

See notes to schedule of expenditures of federal awards.

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*

Board of Trustees
Ohio Aerospace Institute and Subsidiary

We have audited, 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, the financial statements of Ohio Aerospace Institute and Subsidiary (the Institute), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated November 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Report on 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.

Cohen & Company Ltd.

Cleveland, Ohio
November 3, 2022

Independent Auditors' Report on Compliance for The Major Program
and on Internal Control over Compliance Required by The Uniform Guidance

Board of Trustees
Ohio Aerospace Institute and Subsidiary

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ohio Aerospace Institute and Subsidiary's (the Institute's) compliance with the types of compliance requirements identified as subject to audit 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 June 30, 2022. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ohio Aerospace Institute and Subsidiary's 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 June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Ohio Aerospace Institute and Subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Institute's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Institute's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Cohen & Company Ltd.

Cleveland, Ohio
November 3, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | | |
|---|-----------|---|
| Type of auditors' report issued: | | Unmodified |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |
| Noncompliance material to financial statements noted? | _____ Yes | _____ <input checked="" type="checkbox"/> No |

Federal Awards

| | | |
|---|-----------|---|
| Internal control over major program: | | |
| Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |

| | | |
|---|--|------------|
| Type of auditors' report issued on compliance for major program: | | Unmodified |
|---|--|------------|

| | | |
|--|-----------|--|
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, section 200.516(a)? | _____ Yes | _____ <input checked="" type="checkbox"/> No |
|--|-----------|--|

Identification of major program:

Assistance Listing Number

Various

Name of Federal Program or Cluster

Research and Development Cluster

| | | |
|---|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | | \$ <u>750,000</u> |
|---|--|-------------------|

| | | |
|--|---|----------|
| Auditee qualified as low-risk auditee? | _____ <input checked="" type="checkbox"/> Yes | _____ No |
|--|---|----------|

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Ohio Aerospace Institute and Subsidiary (the Institute) and is presented on the accrual basis of accounting. 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 the Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Institute.

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.

3. INDIRECT COST RATE

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