



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

December 6, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on BioConnect Iowa for the year ended June 30, 2021.

FINANCIAL HIGHLIGHTS:

BioConnect Iowa (formerly Iowa Innovation Corporation) was established by Chapter 15.107 of the Code of Iowa as a non-profit corporation for the purpose of receiving and disbursing funds from public and private sources to further the overall development and economic well-being of the State of Iowa.

The Corporation's revenues totaled \$2,701,865 for the year ended June 30, 2021, a 96.3% increase over the prior year. Revenues included \$934,275 from program revenues, \$1,000,000 from university sponsorships, \$535,000 from program management fees, \$115,000 from networking and outreach and \$103,612 from federal grants.

Expenses for the year ended June 30, 2021 totaled \$2,753,154, a 106.1% increase over the prior year, and included \$2,019,387 for program expenses, \$496,762 for salaries and benefits and \$109,859 for networking and outreach.

The significant increase in revenues and expenses were primarily due to research agreements entered into with the state universities and the receipt of funds for these agreements.

AUDIT FINDINGS:

Sand reported two findings related the receipt and disbursement of funds from public and private sources. They are found on pages 16 and 17 of this report. The findings address a lack of segregation of duties and a material adjustment to the financial statements. Sand provided the Board with recommendations to address the findings.

One of the findings discussed above is repeated from the prior year. The Corporation Board has a fiduciary responsibility to provide oversight to the Corporations operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

###

BIOCONNECT IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS
JUNE 30, 2021

BioConnect Iowa



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

November 15, 2021

BioConnect Iowa
Des Moines, Iowa

To the Members of BioConnect Iowa:

I am pleased to submit to you the financial and compliance audit report for BioConnect Iowa for the year ended June 30, 2021. The audit was performed in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of BioConnect Iowa throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

Table of Contents

	<u>Page</u>
Board of Directors	3
Independent Auditor's Report	4-5
Basic Financial Statements:	<u>Exhibit</u>
Statement of Financial Position	A 8
Statement of Activities	B 9
Statement of Cash Flows	C 11
Notes to Financial Statements	12-13
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	14-15
Schedule of Findings	16-17
Staff	18

BioConnect Iowa
Board of Directors

Board

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul Schickler	Board Chair	Apr 2022
Billi Hunt	Secretary/Treasurer	Apr 2024
Mike Roof	Member	Resigned Nov 2020
George Arida	Member	Resigned Mar 2021
Camille Urban	Member	Resigned Mar 2021
Matthew Warrens (Appointed 3/26/21)	Member	Apr 2022
Nathan Rasmussen (Appointed 1/19/21)	Member	Apr 2023
Tim Whipple	Member	Apr 2023
John Greaves	Member	Apr 2024
R. Scott Johnson (Appointed 5/17/21)	Member	Apr 2024

Members Ex Officio

Debi Durham	Iowa Economic Development Authority
Jon Darsee	University of Iowa
Dr. Surya Mallapragada	Iowa State University
James Register	CEO and President



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

To the Board of Directors of the BioConnect Iowa:

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Activities and Cash Flows of BioConnect Iowa as of and for the year ended June 30, 2021, and the related Notes to Financial Statements which collectively comprise BioConnect Iowa's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BioConnect Iowa as of June 30, 2021, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2021 on our consideration of BioConnect Iowa's internal control over financial reporting and 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 BioConnect Iowa'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 BioConnect Iowa's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

November 15, 2021

BioConnect Iowa

Basic Financial Statements

BioConnect Iowa
Statement of Financial Position
June 30, 2021

Assets	
Cash and cash equivalents	\$ 717,546
Accounts receivable	167,784
Prepaid expense	<u>36,944</u>
Total assets	<u><u>\$ 922,274</u></u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 22,093
Unearned revenue	<u>4,500</u>
Total liabilities	<u>26,593</u>
Net assets:	
Unrestricted	<u>895,681</u>
Total liabilities and net assets	<u><u>\$ 922,274</u></u>

See notes to financial statements.

BioConnect Iowa

Statement of Activities

Year ended June 30, 2021

Revenues:	
Networking and outreach	\$ 115,000
Program	934,275
Program management	535,000
Event income	13,978
University sponsorship income	1,000,000
Grant income	<u>103,612</u>
Total revenues	<u>2,701,865</u>
Expenses:	
Salaries and benefits	496,762
Travel	496
Contractual services	28,917
Rent	46,375
Networking and outreach	109,859
Program	2,019,387
Conference and meeting	3,622
Legal fees	15,855
Office supplies	3,196
Insurance	23,945
Depreciation	1,469
Miscellaneous	<u>3,271</u>
Total expenses	<u>2,753,154</u>
Operating loss	(51,289)
Non-operating revenue:	
Interest income	<u>71</u>
Change in net assets	(51,218)
Net assets beginning of year	<u>946,899</u>
Net assets end of year	<u>\$ 895,681</u>

See notes to financial statements.

BioConnect Iowa

BioConnect Iowa
Statement of Cash Flows
Year ended June 30, 2021

Cash flows from operating activities:	
Cash received from grants	\$ 141,126
Cash received from networking and outreach	109,166
Cash received from program revenues	946,982
Cash received from program management	610,935
Cash received from events	13,978
Cash received from university sponsorships	1,000,000
Cash paid for customer deposits	(1,000)
Cash paid for goods and services	(2,258,778)
Cash paid to employees for salaries and benefits	<u>(517,003)</u>
Net cash provided by operating activities	45,406
Cash flows from investing activities:	
Interest received	<u>71</u>
Net increase in cash and cash equivalents	45,477
Cash and cash equivalents beginning of year	<u>672,069</u>
Cash and cash equivalents end of year	<u><u>\$ 717,546</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (51,289)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,469
Changes in assets and liabilities:	
Accounts receivable	120,322
Prepaid expense	3,868
Accounts payable	(7,723)
Salaries and benefits payable	(20,241)
Unearned revenue	<u>(1,000)</u>
Net cash provided by operating activities	<u><u>\$ 45,406</u></u>

See notes to financial statements.

BioConnect Iowa

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Iowa Innovation Corporation was established as a non-profit corporation in October 2011 by Chapter 15.107 of the Code of Iowa for the purpose of receiving and disbursing funds from public and private sources to further the overall development and economic well-being of the State of Iowa. Senate File 228 approved, May 16, 2019 modified the definition of the Corporation, providing authority for it to change the name of the Corporation. The name was changed to BioConnect Iowa, effective October 30, 2020.

BioConnect Iowa (Corporation) is a nonprofit corporation organized under Chapter 504 of the Code of Iowa and qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from taxation.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Purchases of equipment providing future benefits are capitalized and depreciated.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Restricted net assets – consists of net assets restricted for use in accordance with donor imposed restrictions.

Unrestricted net assets – net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

D. Assets, Liabilities and Net Assets

Cash and Cash Equivalents – The Corporation considers its savings account to be a cash equivalent.

Equipment – Purchased equipment is stated at cost. Donated capital assets are valued at the estimated fair value on the date of donation. Capital assets are defined by the Corporation as assets with initial, individual costs in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful life of 4 years.

(2) Lease Commitment

The Corporation occupies office space under a long-term operating lease which started May 1, 2019 and continues through April 30, 2024.

The following schedule shows future minimum rental payments required under the lease as of June 30, 2021.

Year ending June 30,	Amount
2022	\$ 40,288
2023	40,997
2024	34,668
Total	<u>\$ 115,953</u>

Rental expense under this lease for the year ended June 30, 2021 totaled \$39,600.

(3) Risk Management

The Corporation is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Corporation assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(4) Capital Assets

A summary of equipment at June 30, 2021 is as follows:

Equipment	\$ 3,592
Less: accumulated depreciation	<u>3,592</u>
Equipment, net	<u>\$ -</u>

(5) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Corporation, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Corporation. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Corporation's operations and finances.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors of the BioConnect Iowa:

We have audited in accordance with U.S. generally accepted auditing standards 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 BioConnect Iowa as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BioConnect Iowa's internal control over financial reporting to determine the audit procedures 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 BioConnect Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of BioConnect Iowa'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 a material misstatement of BioConnect Iowa'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BioConnect Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

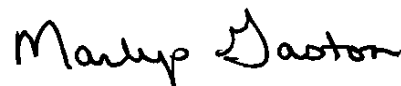
BioConnect Iowa's Responses to the Findings

BioConnect Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. BioConnect Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 BioConnect Iowa's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering BioConnect Iowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of BioConnect Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

November 15, 2021

BioConnect Iowa
Schedule of Findings
June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of BioConnect Iowa’s financial statements.

Condition – Generally, one or two individuals may have control over approving invoices and signing checks for which no compensating controls exist.

Cause – BioConnect Iowa has a limited number of employees and procedures have not been designed and implemented to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect BioConnect Iowa's ability to prevent detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – BioConnect Iowa should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including members of the Board, to provide additional control through review of financial transactions, reconciliations and reports.

Response – BioConnect Iowa acknowledges and understands the findings and to the extent possible, given our organization’s size, will address these moving forward.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of BioConnect Iowa’s financial statements.

Condition – A material revenue and expense was not recorded correctly in BioConnect Iowa’s financial statements. An adjustment was subsequently made by BioConnect Iowa to properly report the balances in the financial statements.

Cause – BioConnect Iowa’s policies and procedures were not properly followed to ensure all bank statement activity was properly recorded as revenues and expenses.

BioConnect Iowa

Schedule of Findings

June 30, 2021

Effect – Policies and procedures not being followed resulted in errors not being detected in a timely manner and a material adjustment to BioConnect Iowa’s financial statements was necessary.

Recommendation – BioConnect Iowa should strengthen established procedures to ensure all revenue and expenses are properly recorded in the financial statements.

Response – BioConnect Iowa acknowledges and understands the finding and has already taken steps with our new accounting firm to strengthen relevant procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

BioConnect Iowa

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Pamela J. Bormann, CPA, Manager
Corey D. Hauptmann, Staff Auditor
Mackenzie L. Johnson, Assistant Auditor