



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0006
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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

December 5, 2022

Contact: Ernest Ruben
515/281-5834

Auditor of State Rob Sand today released an audit report on BioConnect Iowa for the year ended June 30, 2022.

FINANCIAL HIGHLIGHTS:

BioConnect Iowa 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.

BioConnect Iowa's revenues totaled \$1,803,790 for the year ended June 30, 2022, a 33.2% decrease from the prior year. Revenues included \$680,889 from program revenues, \$1,000,000 from program management fees and \$104,823 from federal grants.

Expenses for the year ended June 30, 2022 totaled \$1,584,053 a 42.5% decrease from the prior year, and included \$661,225 for program expenses, \$549,957 for salaries and benefits and \$174,860 for networking and outreach.

The significant decrease in revenues and expenses was primarily due to research agreements entered into with the state universities and the receipt of funds for these agreements in the prior year.

AUDIT FINDINGS:

Sand reported one finding related the receipt and disbursement of funds from public and private sources. This finding is found on page 16 of this report. The finding addresses a lack of segregation of duties. Sand provided the Board with a recommendation to address the finding.

The finding discussed above is repeated from the prior year. BioConnect Iowa's Board has a fiduciary responsibility to provide oversight to BioConnect Iowa's 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 [Audit Reports – Auditor of State](#).

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BIOCONNECT IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS
JUNE 30, 2022

BioConnect Iowa



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Rob Sand
Auditor of State

November 21, 2022

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, 2022. 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".

Rob Sand
Auditor of State

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BioConnect Iowa

Board of Directors

Board

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul Schickler	Board Chair	Apr 2025
Billi Hunt	Secretary/Treasurer	Apr 2024
Nathan Rasmussen	Member	(Resigned Mar 2022)
R. Scott Johnson	Member	Apr 2023
Tim Whipple	Member	Apr 2023
Rebecca Fusselman (Appointed 7/14/22)	Member	Apr 2024
John Greaves	Member	Apr 2024
Matthew Warrens	Member	Apr 2025

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 (retired December 2021)
Steven Brody	CEO and President



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Independent Auditor's Report

To the Board of Directors of the BioConnect Iowa:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Financial Position and the related Statements of Activities and Cash Flows of BioConnect Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the BioConnect Iowa's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of BioConnect Iowa as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with the U.S. generally accepted accounting principles.

Basis for Opinions

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 Financial Statements section of our report. We are required to be independent of BioConnect Iowa, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BioConnect Iowa's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 judgement made by a reasonable user based on the financial statements.

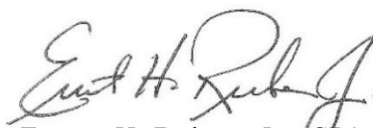
In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 BioConnect Iowa'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about BioConnect Iowa'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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2022 on our consideration of BioConnect Iowa'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 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

November 21, 2022

BioConnect Iowa

Basic Financial Statements

BioConnect Iowa
Statement of Financial Position
June 30, 2022

Assets

Cash and cash equivalents	\$ 814,254
Accounts receivable	270,622
Prepaid expense	<u>43,055</u>
Total assets	<u>\$ 1,127,931</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 8,013
Unearned revenue	<u>4,500</u>
Total liabilities	<u>12,513</u>

Net assets:

Unrestricted	<u>1,115,418</u>
Total liabilities and net assets	<u>\$ 1,127,931</u>

See notes to financial statements.

BioConnect Iowa

Statement of Activities

Year ended June 30, 2022

Revenues:	
Program	\$ 680,889
Program management	1,000,000
Event income	18,000
Grant income	<u>104,823</u>
Total revenues	<u>1,803,712</u>
Expenses:	
Salaries and benefits	549,957
Travel	12,296
Contractual services	70,095
Rent	43,798
Networking and outreach	174,860
Program	661,225
Conference and meeting	1,122
Legal fees	35,171
Office supplies	6,426
Insurance	28,820
Miscellaneous	<u>283</u>
Total expenses	<u>1,584,053</u>
Operating income	219,659
Non-operating revenue:	
Interest income	<u>78</u>
Change in net assets	219,737
Net assets beginning of year	<u>895,681</u>
Net assets end of year	<u>\$ 1,115,418</u>

See notes to financial statements.

BioConnect Iowa

BioConnect Iowa
Statement of Cash Flows
Year ended June 30, 2022

Cash flows from operating activities:	
Cash received from grants	\$ 106,652
Cash received from networking and outreach	25,000
Cash received from program revenues	662,157
Cash received from program management	889,065
Cash received from events	18,000
Cash paid for goods and services	(1,054,287)
Cash paid to employees for salaries and benefits	<u>(549,957)</u>
Net cash provided by operating activities	96,630
Cash flows from investing activities:	
Interest received	<u>78</u>
Net increase in cash and cash equivalents	96,708
Cash and cash equivalents beginning of year	<u>717,546</u>
Cash and cash equivalents end of year	<u><u>\$ 814,254</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 219,659
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(102,838)
Prepaid expense	(6,111)
Accounts payable	<u>(14,080)</u>
Net cash provided by operating activities	<u><u>\$ 96,630</u></u>

See notes to financial statements.

(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, 2022.

Year ending June 30,	Amount
2023	\$ 40,997
2024	<u>34,668</u>
Total	<u>\$ 75,665</u>

Rental expense under this lease for the year ended June 30, 2022 totaled \$40,288.

(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, 2022 is as follows:

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

(5) Prospective Accounting Change

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update 2016-02 Leases (Topic 842). This new guidance will be implemented for the fiscal year ending June 30, 2023. The revised guidance requires all leases to be recorded as assets and liabilities on the Statement of Financial Position. This update requires capitalization of right-to-use lease assets and recognition of an obligation for future lease payments for most leases currently classified as operating leases.



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**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 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 BioConnect Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise BioConnect Iowa basic financial statements, and have issued our report thereon dated November 21, 2022.

Report on 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 (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 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 that 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiency in internal control described in the accompanying Schedule of Findings as item 2022-001 we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BioConnect Iowa'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 which are required to be reported under Government Auditing Standards.

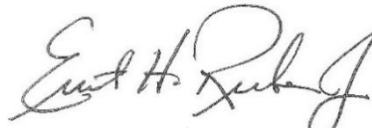
BioConnect Iowa's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on BioConnect Iowa's response to the finding identified in our audit and described in the accompanying Schedule of Findings. BioConnect Iowa's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

November 21, 2022

BioConnect Iowa
Schedule of Findings
June 30, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 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 relating to segregation of duties, and to the extent possible given our organization's size, will address these moving forward. BioConnect Iowa utilizes an on-line based payment service (Bill.com) for the purposes of having a clear audit trail of all payables, including the upload and subsequent approval of invoices and final approval of electronic payment batches. BioConnect Iowa continues to minimize the issuance of paper checks where possible and defaults to ACH payments as standard practice.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

BioConnect Iowa

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Pamela J. Bormann, CPA, Manager
Erin J. Sietstra, Senior Auditor
Mackenzie L. Johnson, Staff Auditor