



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

Contact: Brian Brustkern  
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FOR RELEASE

February 23, 2024

Auditor of State Rob Sand today released an audit report on BioConnect Iowa for the year ended June 30, 2023.

**FINANCIAL HIGHLIGHTS:**

BioConnect Iowa was established by Chapter 15.107 of the Code of Iowa as a nonprofit 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.

Iowa Venture Capital Co-Investment Fund, LLC (IVCCF) was established in August 2022 as a domestic limited liability company under Chapter 489 of the Code of Iowa for the purpose of providing services related to the State Small Business Credit Initiative Program. IVCCF will invest program funds in businesses located within the State of Iowa or businesses that have a connection to or significant operations in the State of Iowa.

The consolidated financial statements for BioConnect Iowa reported revenues of \$4,582,789 for the year ended June 30, 2023, a 154.1% increase over the prior year. Revenues included \$2,818,913 from federal grants, \$1,000,000 from program management fees and \$702,359 from program fees.

Expenses for the year ended June 30, 2023 totaled \$2,264,297, a 42.9% increase over the prior year, and included \$773,760 for salaries and benefits, \$709,484 for program expenses and \$391,604 for networking and outreach.

The significant increase in revenues and expenses was primarily due to reporting the new IVCCF activity within the financial statements and the receipt of additional federal funding.

**AUDIT FINDINGS:**

Sand reported one finding related the receipt and disbursement of funds from public and private sources. This finding is found on page 33 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 website at [Audit Reports – Auditor of State](#).

###

**BIOCONNECT IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2023**

**BioConnect Iowa**



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Des Moines, Iowa 50319-0006  
Telephone (515) 281-5834 Facsimile (515) 281-6518

January 26, 2024

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, 2023. 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
Rebecca Fusselman	Member	Apr 2024
John Greaves	Member	Apr 2024
Matthew Warrens	Member	Apr 2025
R. Scott Johnson	Member	Apr 2026
Tim Whipple	Member	Apr 2026

**Members Ex Officio**

Debi Durham	Iowa Economic Development Authority
Dr. Jordan Kaufmann	University of Iowa
David Spalding	Iowa State University
Steven Brody	CEO and President

**Investment Committee of InnoVenture Iowa**

Martina Bockenstedt  
Dan Cosgrove  
Shane Larson  
Anita Norian  
Leigh Parker

**BioConnect Iowa**



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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 consolidated financial statements of BioConnect Iowa and its controlled entity, which comprise the Consolidated Statement of Financial Position and the related Statements of Activities and Cash Flows as of and for the year ended June 30, 2023, and the related Notes to Consolidated Financial Statements, as listed in the table of contents.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of BioConnect Iowa and its controlled entity as of June 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 its controlled entity, 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.

Emphasis of Matter

As discussed in Note 6 to the consolidated financial statements, on July 1, 2022 BioConnect, Iowa adopted new accounting guidance Financial Accounting Standards Board Account Standards Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

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 BioConnect Iowa's ability to continue as a going concern for twelve months beyond the consolidated 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 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 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 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 consolidated 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.

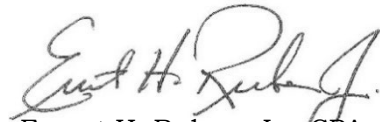
## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information included in Schedules 1 through 5 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and is not a required part of the consolidated financial statements. The other supplementary information included in Schedule 5, the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such consolidating and other supplementary 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 consolidating and other supplementary information in Schedules 1 through 5 is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2024 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  
Chief Deputy Auditor of State

January 26, 2024

**BioConnect Iowa**

**Consolidated Financial Statements**

BioConnect Iowa  
Consolidated Statement of Financial Position  
June 30, 2023

<b>Assets</b>	
Cash and cash equivalents	\$ 3,774,837
Accounts receivable	275,510
Interest receivable	1,578
Prepaid expense	32,880
Right-to-use asset	30,576
Investments in Startups	<u>2,224,981</u>
<b>Total assets</b>	<b><u>\$ 6,340,362</u></b>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accounts payable	\$ 74,600
Income tax payable	21,498
Unearned revenue	4,500
Lease liability	<u>30,835</u>
Total liabilities	<u>131,433</u>
Net assets:	
Unrestricted	3,433,910
Restricted	<u>2,775,019</u>
Total net assets	<u>6,208,929</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 6,340,362</u></b>

See notes to consolidated financial statements.

BioConnect Iowa  
Consolidated Statement of Activities  
Year ended June 30, 2023

**Change in net assets without restrictions:**

Revenues:	
Grant income	\$ 119,614
Program	702,359
Program management	1,000,000
State small business credit initiative administrative funding	474,318
Contracts and services	40,500
Sponsorship	8,500
Interest on investments	1,578
Net assets released from restrictions	<u>2,224,981</u>
Total revenues	<u>4,571,850</u>
Expenses:	
Salaries and benefits	773,760
Travel	30,136
Contractual services	127,715
Rent	52,110
Networking and outreach	391,604
Program	709,484
Conference and meeting	36,997
Legal fees	89,922
Office supplies	11,013
Insurance	19,468
Miscellaneous	<u>590</u>
Total expenses	<u>2,242,799</u>
Change in net assets without restrictions from operations	2,329,051
Non-operating revenue (expense):	
Interest income	10,939
Income taxes	<u>(21,498)</u>
Net non-operating expenses	<u>(10,559)</u>
Change in net assets without restrictions	<u>2,318,492</u>
<b>Change in net assets with restrictions:</b>	
State small business credit initiative program funding	5,000,000
Net assets released from restrictions	<u>(2,224,981)</u>
Change in net assets with restrictions	<u>2,775,019</u>
Change in net assets	5,093,511
Net assets beginning of year	<u>1,115,418</u>
Net assets end of year	<u>\$ 6,208,929</u>

See notes to consolidated financial statements.

**Exhibit C**

## BioConnect Iowa

## Consolidated Statement of Functional Expenses

Year ended June 30, 2023

	Program Services	Management and General	Total
Expenses:			
Salaries and benefits	\$ 535,824	237,936	773,760
Travel	3,760	26,376	30,136
Contractual services	26,150	101,565	127,715
Rent	20,844	31,266	52,110
Networking and outreach Program	319,048	72,556	391,604
Conference and meeting	709,484	-	709,484
Legal fees	35,870	1,127	36,997
Office supplies	30,927	58,995	89,922
Insurance	-	11,013	11,013
Miscellaneous	-	19,468	19,468
	-	590	590
Total expenses	\$ 1,681,907	560,892	2,242,799

See notes to consolidated financial statements.

## BioConnect Iowa

## Consolidated Statement of Cash Flows

Year ended June 30, 2023

Cash flows from operating activities:	
Cash received from grants	\$ 5,542,992
Cash received from contracts and services	40,500
Cash received from program revenues	663,577
Cash received from program management	1,083,334
Cash received from sponsorships	8,500
Cash paid for goods and services	(1,390,518)
Cash paid to employees for salaries and benefits	<u>(773,760)</u>
Net cash provided by operating activities	<u>5,174,625</u>
Cash flows from investing activities:	
Purchase of startup investments	(2,224,981)
Interest received	<u>10,939</u>
Net cash provided by investing activities	<u>(2,214,042)</u>
Net increase in cash and cash equivalents	2,960,583
Cash and cash equivalents beginning of year	<u>814,254</u>
Cash and cash equivalents end of year	<u>\$ 3,774,837</u>
<b>Reconciliation of change in net assets from operations</b>	
<b>to net cash provided by operating activities:</b>	
Change in net assets with/without restrictions from operations	\$ 5,104,070
Adjustments to reconcile change in net assets from operations	
to net cash provided by operating activities:	
Amortization	259
Changes in assets and liabilities:	
Accounts receivable	(4,888)
Interest receivable	(1,578)
Prepaid expense	10,175
Accounts payable	<u>66,587</u>
Net cash provided by operating activities	<u>\$ 5,174,625</u>

See notes to consolidated financial statements.



BioConnect Iowa

Notes to Consolidated Financial Statements

June 30, 2023

**(1) Summary of Significant Accounting Policies**

A. Principles of Consolidation and Reporting Entity

The consolidated financial statements include the accounts of BioConnect Iowa (Corporation) and the accounts of Iowa Venture Capital Co-Investment Fund, LLC (IVCCF). The accounts of IVCCF are included in the consolidated financial statements as IVCCF was set up as a wholly owned subsidiary of BioConnect Iowa. All material inter-company accounts and transactions are eliminated in consolidation.

The Iowa Innovation Corporation was established as a nonprofit 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 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.

IVCCF was established in August 2022 as a domestic limited liability company under Chapter 489 of the Code of Iowa for the purpose of providing services related to the State Small Business Credit Initiative Program. IVCCF will invest program funds in businesses located within the State of Iowa or businesses that have a connection to or significant operations in the State of Iowa.

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.

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. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidate statement of activities. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions. Expenses are reported as decreases in unrestricted net assets.

D. Assets, Liabilities and Net Assets

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

Investments in startups represents the investments made in the businesses under the State Small Business Credit Initiative Program.

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 live of 4 years.

Leases – Effective July 1, 2022, the Corporation classifies leases as either operating or finance leases at the commencement date of the lease. The Corporation's lease is classified as an operating lease.

The Corporation recognizes a right-of-use (ROU) asset and lease liability for operating leases with a term of greater than 12 months at the time of the lease inception. The Corporation does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line bases over the lease term. Options to extend or terminate at the sole discretion of the Corporation are included in the determination of lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The corporation has elected the practical expedient that allows for private companies to utilize the risk-free rate based on asset class.

Prior to July 1, 2022, the Corporation accounting for its leases as operating leases and assets and liabilities were not recorded but were recorded within operations on a straight-line basis over the term of the lease.

E. Functional Expenses Allocations

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. The allocation of expenses shown on the combined statement of functional expenses is made by direct assignment of costs of functional categories where a direct relationship exists. Salaries, payroll taxes and benefits are allocated based on time and effort. Rent is allocated based on office space assigned. The allocation of all other expenses is based on the estimate of time and costs utilized.

F. Income Taxes

BioConnect Iowa is exempt under Section 501(c)(3) of the Internal Revenue Code from federal and state taxes on related income. The Corporation is, however, subject to federal and state income taxes on any net unrelated business income under the provisions of Section 511 of the Internal Revenue Code.

IVCCF has elected to be taxed as a corporation and is therefore subject to income tax at the entity level. The federal and state income tax provision is summarized as follows:

Current Federal	\$ 16,833
Current State	<u>4,665</u>
Total provision for income taxes	<u>\$ 21,498</u>

Income tax differed from the amounts computed by applying the United States federal income tax rates of 21% to pre-tax earnings for the year ended June 30, 2023 primarily due to state income taxes, net of federal benefit.

Deferred income taxes reflect the net tax effects of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At June 30, 2023, IVCCF had no deferred income taxes.

IVCCF is subject to examination by the Internal Revenue Service and State of Iowa for the year ended June 30, 2023.

**(2) Investments in Startups**

The investments held by IVCCF represent non-marketable equity securities which are carried using the measurement alternative, which is cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. Adjustments are determined primarily based on a market approach as of the transaction date. Non-marketable equity securities are investments in privately held companies without readily determinable market values. During the year ended June 30, 2023, there were no adjustments to the carrying value of the non-marketable equity securities.

### (3) Liquidity and Availability of Financial Assets

Financial assets available for general expenditures within one year of the balance sheet date, comprise the following:

Financial assets at year end:	
Cash and cash equivalents	\$ 3,774,837
Accounts receivable	<u>275,510</u>
	<u>4,050,347</u>
Less amounts not available to be used within one year due to:	
Grant funds with purpose restrictions	<u>2,775,019</u>
Financial assets available for general expenditures within one year	<u>\$ 1,275,328</u>

As part of the Corporations liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Corporation does not hold lines of credit to manage its liquidity.

### (4) Capital Assets

A summary of equipment at June 30, 2023 is as follows:

	<u>Equipment</u>	<u>Right-to-Use Asset</u>
Beginning balance, as restated	\$ 3,592	70,344
Less: accumulated depreciation/ amortization	<u>3,592</u>	<u>39,768</u>
Equipment, net	<u>\$ -</u>	<u>30,576</u>

### (5) Lease Commitment

The Corporation has an operating lease agreement for office space 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:

Operating lease liability for 2024	\$ 31,201
Less amount representing interest	<u>366</u>
Present value of lease liability	<u>\$ 30,835</u>

Operating lease expense included in the statement of activities for the year ended June 30, 2023 totaled \$41,256.

The remaining lease term is nine months, and the discount rate was 2.84%.

**(6) 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.

**(7) Accounting Change**

Effective July 1, 2022, the Corporation adopted new lease accounting guidance the Accounting Standards Update No. 2016-02 Leases (Topic 842) utilizing the modified retrospective optional method, where the cumulative catch-up adjustment is recorded at the date of adoption. Operating leases with a duration greater than one year, are included in operating lease right-of-use assets and operating lease liabilities in the statement of consolidated financial position as of June 30, 2023.

The Corporation has elected a package of practical expedients permitted in Topic 842. Accordingly, the Corporation did not reassess at adoption (a) whether the contract contains leases under Topic 842, (b) whether classification of the operating lease would be different in accordance with Topic 842, or (c) initial direct costs for existing leases. The Corporation also elected the practical expedients to discount the lease liability using the risk-free rate and to not separate lease and non-lease components.

As a result of the adoption of the new lease accounting standard, the Corporation's statements of financial position were materially impacted by the recognition of its ROU assets and lease liabilities of \$70,344 and \$70,344, respectively. There was no significant impact on the consolidated statements of activities or cash flows as a result of the adoption.

## **Supplementary Information**

BioConnect Iowa  
Consolidating Statement of Financial Position  
June 30, 2023

	BioConnect Iowa	Iowa Venture Capital Co- Investment Fund LLC	Elimination Entries	Consolidated Balances
<b>Assets</b>				
Cash and cash equivalents	\$ 840,814	2,934,023	-	3,774,837
Accounts receivable	275,510	-	-	275,510
Interest receivable	-	1,578	-	1,578
Prepaid expense	31,880	1,000	-	32,880
Due from Iowa Venture Capital Co-Investment Fund LLC	5,210	-	(5,210)	-
Right-to-use asset	30,576	-	-	30,576
Investments in Startups	-	2,224,981	-	2,224,981
Investment in Iowa Venture Capital Co-Investment Fund LLC	5,113,227	-	(5,113,227)	-
<b>Total assets</b>	<b>\$ 6,297,217</b>	<b>5,161,582</b>	<b>(5,118,437)</b>	<b>6,340,362</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable	\$ 52,953	21,647	-	74,600
Income tax payable	-	21,498	-	21,498
Unearned revenue	4,500	-	-	4,500
Due to BioConnect Iowa	-	5,210	(5,210)	-
Lease liability	30,835	-	-	30,835
Total liabilities	88,288	48,355	(5,210)	131,433
Net assets:				
Unrestricted	3,433,910	-	-	3,433,910
Restricted	2,775,019	-	-	2,775,019
Restricted for members equity	-	5,113,227	(5,113,227)	-
Total net assets	6,208,929	5,113,227	(5,113,227)	6,208,929
<b>Total liabilities and net assets</b>	<b>\$ 6,297,217</b>	<b>5,161,582</b>	<b>(5,118,437)</b>	<b>6,340,362</b>

See accompanying independent auditor's report.

## BioConnect Iowa

## Consolidating Statement of Activities

June 30, 2023

	BioConnect Iowa	Iowa Venture Capital Co- Investment Fund LLC	Elimination Entries	Consolidated Balances
<b>Change in net assets without restrictions:</b>				
Revenues:				
Grant income	\$ 119,614	-	-	119,614
Program	702,359	-	-	702,359
Program management	1,000,000	-	-	1,000,000
State small business credit initiative administrative funding	474,318	-	-	474,318
Fund management fees from BioConnect Iowa	-	474,318	(474,318)	-
Contracts and services	40,500	-	-	40,500
Sponsorship	-	8,500	-	8,500
Interest on investments	-	1,578	-	1,578
Equity in net income of subsidiary	63,227	-	(63,227)	-
Net assets released from restrictions	2,224,981	-	-	2,224,981
Total revenues	4,624,999	484,396	(537,545)	4,571,850
Expenses:				
Salaries and benefits	588,113	185,647	-	773,760
Travel	29,199	937	-	30,136
Contractual services	105,428	22,287	-	127,715
Rent	52,110	-	-	52,110
Networking and outreach Program	267,963	123,641	-	391,604
Conference and meeting	709,484	-	-	709,484
Legal fees	1,127	35,870	-	36,997
Office supplies	50,477	39,445	-	89,922
Insurance	9,851	1,162	-	11,013
Fund management fees paid to IVCCF	19,468	-	-	19,468
Miscellaneous	474,318	-	(474,318)	-
	317	273	-	590
Total expenses	2,307,855	409,262	(474,318)	2,242,799
Change in net assets without restrictions from operations	2,317,144	75,134	(63,227)	2,329,051
Non-operating revenue (expense):				
Interest income	1,348	9,591	-	10,939
Income taxes	-	(21,498)	-	(21,498)
Net non-operating revenue (expenses)	1,348	(11,907)	-	(10,559)
Change in net assets without restrictions	2,318,492	63,227	(63,227)	2,318,492
<b>Change in net assets with restrictions:</b>				
State small business credit initiative program funding	5,000,000	-	-	5,000,000
Net assets released from restrictions	(2,224,981)	-	-	(2,224,981)
Change in net assets with restrictions	2,775,019	-	-	2,775,019
Change in net assets	5,093,511	63,227	(63,227)	5,093,511
Equity contribution	-	5,050,000	(5,050,000)	-
Net assets beginning of year	1,115,418	-	-	1,115,418
Net assets end of year	\$ 6,208,929	5,113,227	(5,113,227)	6,208,929

See accompanying independent auditor's report.



BioConnect Iowa

Consolidating Statement of Functional Expenses

Year ended June 30, 2023

	BioConnect Iowa		Iowa Venture Capital Co-Investment Fund, LLC	
	Program Services	Management and General	Program Services	Management and General
Expenses:				
Salaries and benefits	\$ 379,555	208,558	156,269	29,378
Travel	2,823	26,376	937	-
Contractual services	26,150	79,278	-	22,287
Rent	20,844	31,266	-	-
Networking and outreach Program	205,138 709,484	62,825 -	113,910 -	9,731 -
Conference and meeting	-	1,127	35,870	-
Legal fees	17,667	32,810	13,260	26,185
Office supplies	-	9,851	-	1,162
Insurance	-	19,468	-	-
Fund management fees paid to IVCCF	474,318	-	-	-
Miscellaneous	-	317	-	273
Total expenses	<u>\$ 1,835,979</u>	<u>471,876</u>	<u>320,246</u>	<u>89,016</u>

See accompanying independent auditor's report.

Elimination Entries	Consolidated Balances		
	Program Services	Program Services	Management and General
-	535,824	237,936	773,760
-	3,760	26,376	30,136
-	26,150	101,565	127,715
-	20,844	31,266	52,110
-	319,048	72,556	391,604
-	709,484	-	709,484
-	35,870	1,127	36,997
-	30,927	58,995	89,922
-	-	11,013	11,013
-	-	19,468	19,468
(474,318)	-	-	-
-	-	590	590
<u>(474,318)</u>	<u>1,681,907</u>	<u>560,892</u>	<u>2,242,799</u>

BioConnect Iowa  
Consolidating Statement of Cash Flows  
Year ended June 30, 2023

	BioConnect Iowa	Iowa Venture Capital Co- Investment Fund LLC	Elimination Entries	Consolidated Balances
Cash flows from operating activities:				
Cash received from grants	\$ 5,542,992	474,318	(474,318)	5,542,992
Cash received from contracts and services	40,500	-	-	40,500
Cash received from program revenues	663,577	-	-	663,577
Cash received from program management	1,083,334	-	-	1,083,334
Cash received from sponsorships	-	8,500	-	8,500
Cash paid to IVCCF	(474,318)	-	474,318	-
Cash paid for goods and services	(1,187,550)	(202,968)	-	(1,390,518)
Cash paid to employees for salaries and benefits	(593,323)	(180,437)	-	(773,760)
Net cash provided by operating activities	<u>5,075,212</u>	<u>99,413</u>	<u>-</u>	<u>5,174,625</u>
Cash flows from investing activities:				
Cash paid to IVCCF	(5,050,000)	-	5,050,000	-
Purchase of startup investments	-	(2,224,981)	-	(2,224,981)
Interest received	1,348	9,591	-	10,939
Net cash used by investing activities	<u>(5,048,652)</u>	<u>(2,215,390)</u>	<u>5,050,000</u>	<u>(2,214,042)</u>
Cash flows from financing activities:				
Equity contribution	-	5,050,000	(5,050,000)	-
Net increase in cash and cash equivalents	26,560	2,934,023	-	2,960,583
Cash and cash equivalents beginning of year	814,254	-	-	814,254
Cash and cash equivalents end of year	<u>\$ 840,814</u>	<u>2,934,023</u>	<u>-</u>	<u>3,774,837</u>
<b>Reconciliation of change in net assets from operations to net cash provided by operating activities:</b>				
Change in net assets with/without restrictions from operations	\$ 5,092,163	75,134	(63,227)	5,104,070
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:				
Amortization	259	-	-	259
Changes in assets and liabilities:				
Accounts receivable	(4,888)	-	-	(4,888)
Interest receivable	-	(1,578)	-	(1,578)
Prepaid expense	11,175	(1,000)	-	10,175
Accounts payable	44,940	21,647	-	66,587
Due from IVCCF	(5,210)	-	5,210	-
Due to BioConnect	-	5,210	(5,210)	-
Equity in net income of subsidiary	(63,227)	-	63,227	-
Net cash provided by operating activities	<u>\$ 5,075,212</u>	<u>99,413</u>	<u>-</u>	<u>5,174,625</u>

See accompanying independent auditor's report.

## BioConnect Iowa

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Commerce:			
Build to Scale	11.024	ED20HDQ0200019	\$ 119,614
Total U.S. Department of Commerce			119,614
U.S. Department of Treasury			
Passed through Iowa Economic Development Authority:			
State Small Business Credit Initiative			
Competitive Technical Assistance Program	21.034		2,615,914
Total U.S. Department of Treasury			2,615,914
Total			\$ 2,735,528

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of BioConnect Iowa under programs of the federal government for the year ended June 30, 2023. 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 BioConnect Iowa, it is not intended to and does not present the financial position, changes in financial position or cash flows of BioConnect Iowa.

**Summary of Significant Accounting Policies** – Expenses reported in 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 expenses are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – BioConnect Iowa has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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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 consolidated financial statements of BioConnect Iowa, as of and for the year ended June 30, 2023, and the related Notes to Consolidated Financial Statements, which collectively comprise BioConnect Iowa consolidated financial statements, and have issued our report thereon dated January 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BioConnect Iowa's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated 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.

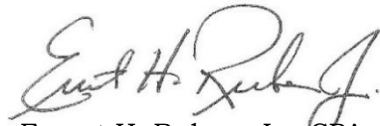
BioConnect Iowa's Response to the Finding

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 and Questioned Costs. BioConnect Iowa's response was not subjected to the other auditing procedures applied in the audit of the consolidated 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  
Chief Deputy Auditor of State

January 26, 2024

**BioConnect Iowa**



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Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Board of Directors of the BioConnect Iowa:

Report on Compliance for Each Major Federal Program

Opinion on each Major Federal Program

We have audited BioConnect Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on BioConnect Iowa's major federal program for the year ended June 30, 2023. BioConnect Iowa's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, BioConnect Iowa complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

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 (GAAS), 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 BioConnect Iowa and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of BioConnect Iowa'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 BioConnect Iowa'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 BioConnect Iowa'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 GAAS, 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 judgement made by a reasonable user of the report on compliance about BioConnect Iowa's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards and the Uniform Guidance, we:

- Exercise professional judgement 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 BioConnect Iowa's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of BioConnect Iowa'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 BioConnect Iowa'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 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.



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

January 26, 2024

BioConnect Iowa

Schedule of Findings and Questioned Costs

June 30, 2023

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unmodified opinion was issued on the consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the consolidated financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 21.034 State Small Business Credit Initiative Competitive Technical Assistance Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) BioConnect Iowa did not qualify as a low-risk auditee.

**Part II: Findings Related to the Consolidated Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

2023-001 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 consolidated 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. Further, BioConnect Iowa’s Board of Directors reviews the budget vs. actual reports on a quarterly basis. Further, BioConnect Iowa’s Governance Committee will review a report listing of cash disbursements for reasonableness on a quarterly basis.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

BioConnect Iowa

Schedule of Findings and Questioned Costs

June 30, 2023

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCE OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program was noted.

BioConnect Iowa

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Chief Deputy  
Pamela J. Bormann, CPA, Director  
Mackenzie L. Johnson, Staff Auditor  
Amila Tursunovic, Assistant Auditor