



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006  
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**NEWS RELEASE**

Contact: Pam Bormann  
515/281-5834

FOR RELEASE

December 17, 2024

Auditor of State Rob Sand today released an audit report on BioConnect Iowa for the year ended June 30, 2024.

**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 \$6,293,395 for the year ended June 30, 2024, a 37.3% increase over the prior year. Revenues included \$4,227,498 from federal grants, \$1,000,000 from program management fees and \$944,445 from program fees.

Expenses for the year ended June 30, 2024 totaled \$2,890,410, a 27.7% increase over the prior year, and included \$944,445 for program expenses, \$865,021 for salaries and benefits and \$379,198 for networking and outreach.

The significant increase in revenues and expenses was primarily due to the increased activity of IVCCF within the financial statements.

**AUDIT FINDINGS:**

Sand reported no findings pertaining to BioConnect Iowa.

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, 2024**

**BioConnect Iowa**



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

State Capitol Building  
Des Moines, Iowa 50319-0006  
Telephone (515) 281-5834

Rob Sand  
Auditor of State

December 13, 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, 2024. The audit was performed 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.

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 that reads "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 2027
Matthew Warrens	Member	Apr 2025
R. Scott Johnson	Member	Apr 2026
Tim Whipple	Member	Apr 2026
Dr. Ye Lao	Member	Apr 2027
Dr. Ashtyn Zinn	Member	Apr 2027

**Members Ex Officio**

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

**Investment Committee of InnoVenture Iowa**

Martina Bockenstedt  
Clayton Nevins  
Anita Norian  
Leigh Parker  
Gary Weihs

**BioConnect Iowa**



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STATE OF 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

Opinion

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 Consolidated Statements of Activities, Functional Expenses and Cash Flows as of and for the year ended June 30, 2024, and the related Notes to Consolidated Financial Statements, as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of BioConnect Iowa and its controlled entity as of June 30, 2024, 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 Opinion

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.

Responsibilities of Management for the Consolidated 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 Consolidated 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 judgment 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 judgment, 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 4 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 GAAS. 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 December 13, 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.



Pam Bormann, CPA  
Director

December 13, 2024

**BioConnect Iowa**

**Consolidated Financial Statements**

## BioConnect Iowa

## Consolidated Statement of Financial Position

June 30, 2024

**Assets**

Cash and cash equivalents	\$ 5,195,078
Accounts receivable	337,316
Interest receivable	18,508
Prepaid expense	42,917
Investments in Startups	5,544,601
Deferred income tax	<u>58,250</u>

**Total assets**\$ 11,196,670**Liabilities and Net Assets**

## Liabilities:

Accounts payable	\$ 94,903
Income tax payable	27,582
Unearned revenue	<u>1,500</u>

## Total liabilities

123,985

## Net assets:

Unrestricted	6,836,895
Restricted	<u>4,235,790</u>

## Total net assets

11,072,685**Total liabilities and net assets**\$ 11,196,670

See notes to consolidated financial statements.

BioConnect Iowa  
Consolidated Statement of Activities  
Year ended June 30, 2024

**Change in net assets without restrictions:**

Revenues:	
Grant income	\$ 119,087
Program	944,445
Program management	1,000,000
State small business credit initiative administrative funding	569,182
Contracts and services	62,525
Interest on investments	28,459
Net assets released from restrictions	<u>3,539,229</u>
Total revenues	<u>6,262,927</u>
Expenses:	
Salaries and benefits	865,021
Travel	32,187
Contractual services	237,738
Rent	53,507
Networking and outreach	379,198
Program	944,445
Conference and meeting	55,568
Legal fees	58,387
Office supplies	17,511
Insurance	14,450
Miscellaneous	<u>1,261</u>
Total expenses	<u>2,659,273</u>
Change in net assets without restrictions from operations	3,603,654
Non-operating revenue (expense):	
Interest income	21,943
Impairment loss	(231,137)
Income taxes	<u>8,525</u>
Net non-operating expenses	<u>(200,669)</u>
Change in net assets without restrictions	<u>3,402,985</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>(3,539,229)</u>
Change in net assets with restrictions	<u>1,460,771</u>
Change in net assets	4,863,756
Net assets beginning of year	<u>6,208,929</u>
Net assets end of year	<u>\$ 11,072,685</u>

See notes to consolidated financial statements.

## BioConnect Iowa

## Consolidated Statement of Functional Expenses

Year ended June 30, 2024

	Program Services	Management and General	Total
Expenses:			
Salaries and benefits	\$ 600,228	264,793	865,021
Travel	7,873	24,314	32,187
Contractual services	19,175	218,563	237,738
Rent	21,403	32,104	53,507
Networking and outreach Program	308,009 944,445	71,189 -	379,198 944,445
Conference and meeting	54,230	1,338	55,568
Legal fees	28,650	29,737	58,387
Office supplies	6,227	11,284	17,511
Insurance	-	14,450	14,450
Miscellaneous	38	1,223	1,261
Total expenses	\$ 1,990,278	668,995	2,659,273

See notes to consolidated financial statements.

## BioConnect Iowa

## Consolidated Statement of Cash Flows

Year ended June 30, 2024

Cash flows from operating activities:	
Cash received from grants	\$ 5,617,597
Cash received from program revenues	950,311
Cash received from program management	1,000,000
Cash received from contracts and services	62,525
Cash paid for income taxes	(43,641)
Cash paid for goods and services	(1,776,488)
Cash paid to employees for salaries and benefits	<u>(872,778)</u>
Net cash provided by operating activities	<u>4,937,526</u>
Cash flows from investing activities:	
Purchase of startup investments	(3,539,228)
Interest received	<u>21,943</u>
Net cash used by investing activities	<u>(3,517,285)</u>
Net increase in cash and cash equivalents	1,420,241
Cash and cash equivalents beginning of year	<u>3,774,837</u>
Cash and cash equivalents end of year	<u>\$ 5,195,078</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	\$ 5,064,425
Adjustments to reconcile change in net assets from operations	
to net cash provided by operating activities:	
Amortization	(259)
Income tax expense	8,525
Interest on investments	(28,459)
Changes in assets and liabilities:	
Accounts receivable	(61,806)
Deferred income tax	(58,250)
Prepaid expense	(10,037)
Accounts payable	20,303
Income tax payable	6,084
Unearned revenue	<u>(3,000)</u>
Net cash provided by operating activities	<u>\$ 4,937,526</u>

See notes to consolidated financial statements.



BioConnect Iowa

Notes to Consolidated Financial Statements

June 30, 2024

**(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 lives of 4 years.

Leases – 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.

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. Although owned 100% by BioConnect Iowa, Iowa Venture Capital Co-Investment Fund is a separate taxable and legal entity from BioConnect Iowa and taxable as a C Corporation. Therefore, it is subject to federal and state income taxes on its net taxable income at its entity level. The federal and state income tax provision is summarized as follows:

Current Federal	\$ 36,309
Current State	13,416
Deferred Income Tax Expense	<u>(58,250)</u>
Total provision for income taxes	<u>\$ (8,525)</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, 2024 primarily due to state income taxes (net of federal benefit), investment impairments and investment capital loss carryforwards.

The major components of deferred income tax asset are as follows:

Investment pass through losses	\$ (4,157)
Investment impairments	35,407
Capital loss carryforward	<u>27,000</u>
Total deferred income tax asset	<u>\$ 58,250</u>

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.

The capital loss carryforward has a five-year carryforward period, and any unused capital losses will expire at the end of that five-year period. The \$27,000 carryforward above was incurred during the June 30, 2024 tax year and will expire as of June 30, 2029. IVCCF is subject to examination by the Internal Revenue Service and State of Iowa for the years ended June 30, 2023 and June 30, 2024.

## (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, 2024, there were \$231,137 in impairment adjustments to the carrying value of the non-marketable equity securities.

## (3) Liquidity and Availability of Financial Assets

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

Financial assets at year end:	
Cash and cash equivalents	\$ 5,195,078
Accounts receivable	337,316
	<u>5,532,394</u>
Less amounts not available to be used within one year due to:	
Grant funds with purpose restrictions	<u>4,235,790</u>
Financial assets available for general expenses within one year	<u>\$ 1,296,604</u>

As part of the Corporations liquidity management, it has a policy to structure its financial assets to be available as its general expenses, 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 and right-to-use leased assets at June 30, 2024 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated/amortized:				
Equipment	\$ 3,592	-	-	3,592
Right-to-use leased assets	70,344	-	70,344	-
Total capital assets being depreciated/amortized	<u>73,936</u>	<u>-</u>	<u>70,344</u>	<u>3,592</u>
Less accumulated depreciation/amortization for:				
Equipment	3,592	-	-	3,592
Right-to-use leased assets	39,768	30,576	70,344	-
Total accumulated depreciation/amortization	<u>43,360</u>	<u>30,576</u>	<u>70,344</u>	<u>3,592</u>
Total capital assets being depreciated/amortized, net	<u>\$ 30,576</u>	<u>30,576</u>	<u>-</u>	<u>-</u>

**(5) Lease Commitment**

The Corporation had an operating lease agreement for office space which started May 1, 2019 and ended on April 30, 2024. The Corporation continues to rent the office space on a month-to-month basis.

Operating lease expense included in the statement of activities for the year ended June 30, 2024 totaled \$41,342.

**(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) Subsequent Event**

Effective July 1, 2024, the Small Business Innovation Research Program will be administered by the Iowa Economic Development Authority (IEDA) rather than BioConnect Iowa. The new BioConnect Iowa and IEDA contract for managing the Iowa Biosciences Strategy effective July 1, 2024 through June 30, 2027 was reduced by the amount of the administration for the Small Business Innovation Research Program.

## **Supplementary Information**

**Schedule 1**

## BioConnect Iowa

## Consolidating Statement of Financial Position

June 30, 2024

	BioConnect Iowa	Iowa Venture Capital Co- Investment Fund LLC	Elimination Entries	Consolidated Balances
<b>Assets</b>				
Cash and cash equivalents	\$ 720,314	4,474,764	-	5,195,078
Accounts receivable	337,316	-	-	337,316
Interest receivable	-	18,508	-	18,508
Prepaid expense	42,750	167	-	42,917
Due from BioConnect Iowa	-	47,432	(47,432)	-
Due from Iowa Venture Capital Co-Investment Fund LLC	2,663	-	(2,663)	-
Investments in Startups	-	5,544,601	-	5,544,601
Deferred income tax	-	58,250	-	58,250
Investment in Iowa Venture Capital Co-Investment Fund LLC	10,090,341	-	(10,090,341)	-
<b>Total assets</b>	<b>\$ 11,193,384</b>	<b>10,143,722</b>	<b>(10,140,436)</b>	<b>11,196,670</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable	\$ 71,767	23,136	-	94,903
Income tax payable	-	27,582	-	27,582
Unearned revenue	1,500	-	-	1,500
Due to BioConnect Iowa	-	2,663	(2,663)	-
Due to Iowa Venture Capital Co-Investment Fund LLC	47,432	-	(47,432)	-
Total liabilities	120,699	53,381	(50,095)	123,985
Net assets:				
Unrestricted	6,836,895	-	-	6,836,895
Restricted	4,235,790	-	-	4,235,790
Restricted for members equity	-	10,090,341	(10,090,341)	-
Total net assets	11,072,685	10,090,341	(10,090,341)	11,072,685
<b>Total liabilities and net assets</b>	<b>\$ 11,193,384</b>	<b>10,143,722</b>	<b>(10,140,436)</b>	<b>11,196,670</b>

See accompanying independent auditor's report.

## BioConnect Iowa

## Consolidating Statement of Activities

June 30, 2024

	BioConnect Iowa	Iowa Venture Capital Co- Investment Fund LLC	Elimination Entries	Consolidated Balances
<b>Change in net assets without restrictions:</b>				
Revenues:				
Grant income	\$ 119,087	-	-	119,087
Program	944,445	-	-	944,445
Program management	1,000,000	-	-	1,000,000
State small business credit initiative administrative funding	569,182	-	-	569,182
Fund management fees from BioConnect Iowa	-	569,182	(569,182)	-
Contracts and services	62,525	-	-	62,525
Interest on investments	-	28,459	-	28,459
Equity in net income (loss) of subsidiary	(22,886)	-	22,886	-
Net assets released from restrictions	3,539,229	-	-	3,539,229
Total revenues	6,211,582	597,641	(546,296)	6,262,927
Expenses:				
Salaries and benefits	597,864	267,157	-	865,021
Travel	25,180	7,007	-	32,187
Contractual services	201,119	36,619	-	237,738
Rent	53,507	-	-	53,507
Networking and outreach Program	352,350	26,848	-	379,198
Conference and meeting	944,445	-	-	944,445
Legal fees	1,372	54,196	-	55,568
Office supplies	35,642	22,745	-	58,387
Insurance	14,030	3,481	-	17,511
Fund management fees paid to IVCCF	14,450	-	-	14,450
Miscellaneous	569,182	-	(569,182)	-
	1,223	38	-	1,261
Total expenses	2,810,364	418,091	(569,182)	2,659,273
Change in net assets without restrictions from operations	3,401,218	179,550	22,886	3,603,654
Non-operating revenue (expense):				
Interest income	1,767	20,176	-	21,943
Impairment loss	-	(231,137)	-	(231,137)
Income taxes/benefit	-	8,525	-	8,525
Net non-operating revenue (expenses)	1,767	(202,436)	-	(200,669)
Change in net assets without restrictions	3,402,985	(22,886)	22,886	3,402,985
<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	(3,539,229)	-	-	(3,539,229)
Change in net assets with restrictions	1,460,771	-	-	1,460,771
Change in net assets	4,863,756	(22,886)	22,886	4,863,756
Equity contribution	-	5,000,000	(5,000,000)	-
Net assets beginning of year	6,208,929	5,113,227	(5,113,227)	6,208,929
Net assets end of year	\$ 11,072,685	10,090,341	(10,090,341)	11,072,685

See accompanying independent auditor's report.



BioConnect Iowa

Consolidating Statement of Functional Expenses

Year ended June 30, 2024

	BioConnect Iowa		Iowa Venture Capital Co-Investment Fund, LLC	
	Program Services	Management and General	Program Services	Management and General
Expenses:				
Salaries and benefits	\$ 366,424	231,440	233,804	33,353
Travel	866	24,314	7,007	-
Contractual services	19,175	181,944	-	36,619
Rent	21,403	32,104	-	-
Networking and outreach Program	285,406 944,445	66,944 -	22,603 -	4,245 -
Conference and meeting	34	1,338	54,196	-
Legal fees	12,475	23,167	16,175	6,570
Office supplies	6,227	7,803	-	3,481
Insurance	-	14,450	-	-
Fund management fees paid to IVCCF	569,182	-	-	-
Miscellaneous	-	1,223	38	-
Total expenses	<u>\$ 2,225,637</u>	<u>584,727</u>	<u>333,823</u>	<u>84,268</u>

See accompanying independent auditor's report.

Elimination Entries	Consolidated Balances		
	Program Services	Program Services	Management and General
-	600,228	264,793	865,021
-	7,873	24,314	32,187
-	19,175	218,563	237,738
-	21,403	32,104	53,507
-	308,009	71,189	379,198
-	944,445	-	944,445
-	54,230	1,338	55,568
-	28,650	29,737	58,387
-	6,227	11,284	17,511
-	-	14,450	14,450
(569,182)	-	-	-
-	38	1,223	1,261
<u>(569,182)</u>	<u>1,990,278</u>	<u>668,995</u>	<u>2,659,273</u>

BioConnect Iowa  
Consolidating Statement of Cash Flows  
Year ended June 30, 2024

	BioConnect Iowa	Iowa Venture Capital Co- Investment Fund LLC	Elimination Entries	Consolidated Balances
Cash flows from operating activities:				
Cash received from grants	\$ 5,617,597	521,750	(521,750)	5,617,597
Cash received from program revenues	950,311	-	-	950,311
Cash received from program management	1,000,000	-	-	1,000,000
Cash received from contracts and services	62,525	-	-	62,525
Cash paid to IVCCF	(521,750)	-	521,750	-
Cash paid for income taxes	-	(43,641)	-	(43,641)
Cash paid for goods and services	(1,627,876)	(148,612)	-	(1,776,488)
Cash paid to employees for salaries and benefits	(603,074)	(269,704)	-	(872,778)
Net cash provided by operating activities	<u>4,877,733</u>	<u>59,793</u>	<u>-</u>	<u>4,937,526</u>
Cash flows from investing activities:				
Cash paid to IVCCF	(5,000,000)	-	5,000,000	-
Purchase of startup investments	-	(3,539,228)	-	(3,539,228)
Interest received	1,767	20,176	-	21,943
Net cash used by investing activities	<u>(4,998,233)</u>	<u>(3,519,052)</u>	<u>5,000,000</u>	<u>(3,517,285)</u>
Cash flows from financing activities:				
Equity contribution	-	5,000,000	(5,000,000)	-
Net increase (decrease) in cash and cash equivalents	(120,500)	1,540,741	-	1,420,241
Cash and cash equivalents beginning of year	840,814	2,934,023	-	3,774,837
Cash and cash equivalents end of year	<u>\$ 720,314</u>	<u>4,474,764</u>	<u>-</u>	<u>5,195,078</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	\$ 4,861,989	179,550	22,886	5,064,425
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:				
Amortization	(259)	-	-	(259)
Income tax expense	-	8,525	-	8,525
Interest on investments	-	(28,459)	-	(28,459)
Changes in assets and liabilities:				
Accounts receivable	(61,806)	-	-	(61,806)
Due from BioConnect	-	(47,432)	47,432	-
Deferred income tax	-	(58,250)	-	(58,250)
Due from IVCCF	2,547	-	(2,547)	-
Prepaid expense	(10,870)	833	-	(10,037)
Accounts payable	18,814	1,489	-	20,303
Income tax payable	-	6,084	-	6,084
Unearned revenue	(3,000)	-	-	(3,000)
Due to IVCCF	47,432	-	(47,432)	-
Due to BioConnect	-	(2,547)	2,547	-
Equity in net income (loss) of subsidiary	22,886	-	(22,886)	-
Net cash provided by operating activities	<u>\$ 4,877,733</u>	<u>59,793</u>	<u>-</u>	<u>4,937,526</u>

See accompanying independent auditor's report.

## BioConnect Iowa

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2024

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Commerce:			
Build to Scale	11.024	ED20HDQ0200019	\$ 119,087
Total U.S. Department of Commerce			119,087
U.S. Department of Treasury:			
Passed through Iowa Economic Development Authority:			
State Small Business Credit Initiative			
Technical Assistance Program	21.031		4,108,411
Total U.S. Department of Treasury			4,108,411
Total			\$ 4,227,498

**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, 2024. 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**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006  
Telephone (515) 281-5834

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, 2024, and the related Notes to Consolidated Financial Statements, which collectively comprise BioConnect Iowa consolidated financial statements, and have issued our report thereon dated December 13, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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.

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.

  
Pam Bormann, CPA  
Director

December 13, 2024

**BioConnect Iowa**



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

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Auditor of State

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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, 2024. 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, 2024.

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 judgment 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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.

A handwritten signature in black ink that reads "Pam Bormann". The signature is written in a cursive, flowing style.

Pam Bormann, CPA  
Director

December 13, 2024

BioConnect Iowa

Schedule of Findings and Questioned Costs

June 30, 2024

**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) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the consolidated financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no 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 21.031 State Small Business Credit Initiative 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.

Schedule of Findings and Questioned Costs

June 30, 2024

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

**INTERNAL CONTROL DEFICIENCY:**

No material weaknesses in internal control over financial reporting were noted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

**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 compliance were noted.

BioConnect Iowa

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Director  
Karen L. Brustkern, CPA, Manager  
Mackenzie L. Johnson, Senior Auditor  
Amila Tursunovic, Staff Auditor