
W.E. Upjohn Unemployment Trustee Corporation

Financial Report
December 31, 2021

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Independent Auditor's Report

To the Board of Trustees
W.E. Upjohn Unemployment Trustee Corporation

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of W.E. Upjohn Unemployment Trustee Corporation (the "Corporation"), which comprise the balance sheet as of December 31, 2021 and 2020 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Audits of the Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits 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 financial statements.

To the Board of Trustees
W.E. Upjohn Unemployment Trustee Corporation

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2022 on our consideration of W.E. Upjohn Unemployment Trustee Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 W.E. Upjohn Unemployment Trustee Corporation'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 W.E. Upjohn Unemployment Trustee Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 10, 2022

W.E. Upjohn Unemployment Trustee Corporation

Balance Sheet

December 31, 2021 and 2020

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash (Note 3) | \$ 3,703,930 | \$ 2,996,712 |
| Investments (Note 5) | 266,922,914 | 230,284,775 |
| Receivables (Note 4) | 1,106,025 | 1,617,642 |
| Other assets | 597,493 | 584,465 |
| Property and equipment - Net (Note 6) | 7,608,816 | 6,913,294 |
| Total assets | \$ 279,939,178 | \$ 242,396,888 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 241,637 | \$ 170,367 |
| Advances payable | 2,399,676 | 2,265,498 |
| Accrued expenses | 1,829,732 | 1,636,253 |
| Long-term debt (Note 7) | 2,378,472 | - |
| Total liabilities | 6,849,517 | 4,072,118 |
| Net Assets without Donor Restrictions | 273,089,661 | 238,324,770 |
| Total liabilities and net assets | \$ 279,939,178 | \$ 242,396,888 |

W.E. Upjohn Unemployment Trustee Corporation

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Changes in Net Assets without Donor Restrictions | | |
| Revenue and support: | | |
| Contract revenue | \$ 13,036,213 | \$ 12,952,962 |
| Investment income (Note 5) | 43,491,460 | 22,073,372 |
| Other | 137,275 | 108,722 |
| Total revenue and support | 56,664,948 | 35,135,056 |
| Expenses: | | |
| Program services: | | |
| In-house research | 4,023,799 | 3,805,650 |
| General research, community service, and external grants | 1,952,895 | 1,720,920 |
| Publications | 534,877 | 565,419 |
| Employment and training assistance programs | 10,190,521 | 10,521,576 |
| Total program services | 16,702,092 | 16,613,565 |
| Support services: | | |
| Management and general | 3,476,286 | 3,183,527 |
| Library, archives, and repository | 471,335 | 451,676 |
| Employment and training assistance administrative | 1,250,344 | 1,227,840 |
| Total expenses | 21,900,057 | 21,476,608 |
| Increase in Net Assets | 34,764,891 | 13,658,448 |
| Net Assets without Donor Restrictions - Beginning of year | 238,324,770 | 224,666,322 |
| Net Assets without Donor Restrictions - End of year | \$ 273,089,661 | \$ 238,324,770 |

W.E. Upjohn Unemployment Trustee Corporation

Statement of Functional Expenses

Year Ended December 31, 2021

| | Program Services | | | | Support Services | | | Total |
|---|-------------------|--|--------------|---|---------------------------|--------------------------------------|---|---------------|
| | In-house Research | General Research, Community Service, and External Grants | Publications | Employment and Training Assistance Programs | Management And General | Library, Archives, and Repository | Employment and Training Assistance Administrative | |
| Salaries | \$ 2,609,002 | \$ 1,219,360 | \$ 350,369 | \$ 4,844,780 | \$ 1,384,159 | \$ 236,461 | \$ 751,793 | \$ 11,395,924 |
| Benefits | 748,429 | 355,593 | 159,898 | 1,274,692 | 747,052 | 84,367 | 336,374 | 3,706,405 |
| Total salaries and related expenses | 3,357,431 | 1,574,953 | 510,267 | 6,119,472 | 2,131,211 | 320,828 | 1,088,167 | 15,102,329 |
| Building and grounds | 2,182 | - | - | 60,172 | 470,262 | - | 7,260 | 539,876 |
| Communications | 2,508 | 16,989 | 880 | 85,881 | 28,727 | - | 2,324 | 137,309 |
| Consultants | 402,688 | 1,639 | - | 208,813 | 6,975 | - | 16,050 | 636,165 |
| Contract labor nonpublications | 117,768 | 12,041 | 1,027 | 37,425 | - | - | - | 168,261 |
| Contract labor publications | - | - | 6,029 | - | 169 | - | - | 6,198 |
| Copying, printing, duplicating | 660 | 6 | 8 | 34,083 | 68,463 | - | 106 | 103,326 |
| Data processing | 15,000 | 11,250 | - | 582 | - | - | - | 26,832 |
| Depreciation | - | - | - | - | 402,158 | - | - | 402,158 |
| Employment data | 1,500 | - | - | - | - | 3,248 | - | 4,748 |
| Equipment | - | 73,289 | - | 69,306 | 8,344 | 34 | 7,239 | 158,212 |
| Grants and major research initiatives | - | 88,249 | - | - | - | - | - | 88,249 |
| Library | 306 | 384 | 1,365 | 450 | 7,777 | 93,550 | - | 103,832 |
| Mailing and postage | 358 | 49 | 485 | 1,915 | 8,894 | - | 515 | 12,216 |
| Marketing and advertising | 876 | - | - | 132,160 | 1,096 | - | 2,887 | 137,019 |
| Memberships | - | 11,999 | 3,013 | 57,073 | 8,112 | 3,549 | 17,217 | 100,963 |
| Miscellaneous | 285 | 8,000 | 1,184 | 27,337 | 107,605 | - | 2,640 | 147,051 |
| Professional development | - | 9,480 | - | 39,343 | 39,856 | 549 | 1,770 | 90,998 |
| Professional services | - | - | - | 60,892 | 57,410 | - | 8,840 | 127,142 |
| Publications | 300 | - | 7,841 | - | - | - | - | 8,141 |
| Software licenses, maintenance, and support | 116,214 | 133,598 | 2,428 | 64,824 | 118,224 | 49,203 | 10,009 | 494,500 |
| Space and facility rental | 1,500 | - | - | 688,084 | - | - | 80,071 | 769,655 |
| Supplies | 279 | 979 | 350 | 28,674 | 8,052 | 374 | 352 | 39,060 |
| Travel | 3,944 | 9,990 | - | 61,822 | 2,951 | - | 4,897 | 83,604 |
| Subcontractor costs | - | - | - | 1,366,251 | - | - | - | 1,366,251 |
| Participant costs | - | - | - | 1,045,962 | - | - | - | 1,045,962 |
| Total other expenses | 666,368 | 377,942 | 24,610 | 4,071,049 | 1,345,075 | 150,507 | 162,177 | 6,797,728 |
| Total expenses | \$ 4,023,799 | \$ 1,952,895 | \$ 534,877 | \$ 10,190,521 | \$ 3,476,286 | \$ 471,335 | \$ 1,250,344 | \$ 21,900,057 |

W.E. Upjohn Unemployment Trustee Corporation

Statement of Functional Expenses

Years Ended December 31, 2020

| | Program Services | | | | Support Services | | | Total |
|---|---------------------|--|-------------------|---|---------------------------|--------------------------------------|---|----------------------|
| | In-house Research | General Research, Community Service, and External Grants | Publications | Employment and Training Assistance Programs | Management And General | Library, Archives, and Repository | Employment and Training Assistance Administrative | |
| Salaries | \$ 2,449,793 | \$ 1,116,795 | \$ 350,847 | \$ 4,943,845 | \$ 1,483,074 | \$ 202,747 | \$ 745,331 | \$ 11,292,432 |
| Benefits | 681,166 | 320,709 | 168,405 | 1,364,204 | 649,310 | 65,666 | 337,886 | 3,587,346 |
| Total salaries and related expenses | 3,130,959 | 1,437,504 | 519,252 | 6,308,049 | 2,132,384 | 268,413 | 1,083,217 | 14,879,778 |
| Building and grounds | 2,105 | - | - | 61,863 | 459,222 | - | 4,321 | 527,511 |
| Communications | 40 | 15,267 | 916 | 84,318 | 21,611 | 9 | 3,117 | 125,278 |
| Consultants | 315,426 | 407 | - | 241,559 | 16,165 | - | 14,500 | 588,057 |
| Contract labor nonpublications | 98,450 | 2,057 | - | 5,075 | - | - | - | 105,582 |
| Contract labor publications | - | - | 6,099 | - | 169 | - | - | 6,268 |
| Copying, printing, duplicating | 607 | 33 | 2,094 | 35,356 | 68,052 | 140 | 983 | 107,265 |
| Data processing | - | 33,750 | - | 2,328 | - | - | - | 36,078 |
| Depreciation | - | - | - | - | 287,723 | - | - | 287,723 |
| Employment data | 113 | - | - | - | - | - | - | 113 |
| Equipment | - | 67,693 | - | 176,697 | 3,879 | - | 1,101 | 249,370 |
| Grants and major research initiatives | 90,000 | - | - | - | 4,500 | - | - | 94,500 |
| Library | 25 | 1,109 | 25 | - | 359 | 110,441 | - | 111,959 |
| Mailing and postage | 522 | - | 1,368 | 2,546 | 8,306 | 33 | 479 | 13,254 |
| Marketing and advertising | 1,175 | - | 1,175 | 63,408 | 2,789 | - | 4,744 | 73,291 |
| Memberships | 1,225 | 1,513 | 3,012 | 38,855 | 5,080 | 11,864 | 17,470 | 79,019 |
| Miscellaneous | 2,336 | 10,722 | 20,444 | 27,747 | 22,471 | - | 2,867 | 86,587 |
| Professional development | 2,750 | 5,239 | - | 69,442 | 6,170 | 1,555 | 1,005 | 86,161 |
| Professional services | - | - | - | 66,529 | 74,712 | - | 22,657 | 163,898 |
| Publications | 1,335 | - | 7,246 | - | - | - | - | 8,581 |
| Software licenses, maintenance, and support | 114,282 | 125,216 | 1,080 | 53,959 | 44,106 | 57,436 | 3,686 | 399,765 |
| Space and facility rental | - | - | 1,361 | 636,536 | - | - | 54,960 | 692,857 |
| Supplies | 396 | 3,748 | 137 | 29,835 | 12,134 | 320 | 1,934 | 48,504 |
| Travel | 43,904 | 16,662 | 1,210 | 62,855 | 13,695 | 1,465 | 10,799 | 150,590 |
| Subcontractor costs | - | - | - | 1,377,188 | - | - | - | 1,377,188 |
| Participant costs | - | - | - | 1,177,431 | - | - | - | 1,177,431 |
| Total other expenses | 674,691 | 283,416 | 46,167 | 4,213,527 | 1,051,143 | 183,263 | 144,623 | 6,596,830 |
| Total expenses | \$ 3,805,650 | \$ 1,720,920 | \$ 565,419 | \$ 10,521,576 | \$ 3,183,527 | \$ 451,676 | \$ 1,227,840 | \$ 21,476,608 |

W.E. Upjohn Unemployment Trustee Corporation

Statement of Cash Flows

Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Increase in net assets | \$ 34,764,891 | \$ 13,658,448 |
| Adjustments to reconcile increase in net assets to net cash from operating activities: | | |
| Depreciation | 402,158 | 287,723 |
| Change in realized and unrealized appreciation in fair value of investment | (30,831,068) | (16,497,881) |
| Changes in operating assets and liabilities that provided (used) cash: | | |
| Accounts receivable | 511,617 | (202,743) |
| Accounts payable | 71,270 | 123,277 |
| Advances payable | 134,178 | 451,200 |
| Accrued expenses | 193,479 | 439,046 |
| Other assets | (13,028) | (12,201) |
| Net cash provided by (used in) operating activities | 5,233,497 | (1,753,131) |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (1,097,680) | (2,215,284) |
| Purchases of investments | (18,742,480) | (11,731,045) |
| Proceeds from sales and maturities of investments | 12,935,409 | 15,897,997 |
| Net cash (used in) provided by investing activities | (6,904,751) | 1,951,668 |
| Cash Flows from Financing Activities | | |
| Proceeds from debt | 2,500,000 | - |
| Payments on debt | (121,528) | - |
| Net cash provided by financing activities | 2,378,472 | - |
| Net Increase in Cash | 707,218 | 198,537 |
| Cash - Beginning of year | 2,996,712 | 2,798,175 |
| Cash - End of year | <u>\$ 3,703,930</u> | <u>\$ 2,996,712</u> |

December 31, 2021 and 2020

Note 1 - Nature of Organization

W.E. Upjohn Unemployment Trustee Corporation (the "Corporation") was established in 1932 under a trust agreement that authorizes the Corporation to conduct research on a wide variety of employment issues using the assets and revenue from the assets given to the Corporation at its creation.

Note 2 - Significant Accounting Policies

Classification of Net Assets

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Corporation.

Contract Revenue

Contract revenue consists of \$11,228,293 and \$11,447,432 of federal, state, and local grant revenue; \$1,609,904 and \$1,433,686 of project earned income; and \$198,016 and \$71,844 of other contributions for the years ended December 31, 2021 and 2020, respectively.

Revenue derived from research grants and contracts totaled \$1,612,930 and \$1,498,643 at December 31, 2021 and 2020, respectively. The costs incurred related to this revenue totaled \$2,304,745 and \$1,723,349 in 2021 and 2020, respectively.

Grant Revenue

Revenue received for grants determined to be conditional contributions is recognized as services are provided (i.e., as barriers are overcome). Grant money received in excess of that earned is recorded as advances payable on the balance sheet. Advances payable relating to grant revenue totaled \$2,110,644 and \$1,776,787 at December 31, 2021 and 2020, respectively. Grant revenue earned in excess of funds received is recorded as receivables. There is no allowance for doubtful collections on receivables since it is the opinion of management that these receivables are fully collectible.

Conditional promises to give are not recognized until the barriers are overcome by the Corporation. As of December 31, 2021, conditional promises to give total approximately \$15,000,000 and will be recorded as revenue as the barriers within the grant agreements are met.

Project Earned Income

Project earned income is derived from research contracts. The Corporation typically satisfies its performance obligations as services are rendered. The Corporation's contracts with customers obligate the Corporation to perform services, which are satisfied over time as the services are provided and use the practical expedient to recognize revenue as the Corporation has the right to invoice for services provided. This is because the services provided are representative of the amount the Corporation has the right to bill.

Under the typical payment terms, invoices are submitted monthly to the customer based on the work completed to date. Payment is generally due within 30 days. The Corporation's contracts with customers do not include any variable consideration.

Project earned income received in excess of revenue recognized is recorded as a contract liability on the balance sheet. Contract liabilities, recorded as advances payable on the balance sheet, totaled \$289,032 and \$488,711 at December 31, 2021 and 2020, respectively, and \$403,750 at January 1, 2020. Project earned income recognized in excess of payments received is recorded as a receivable. There were no impairment losses recognized on any receivables arising from contracts with customers during 2021 and 2020.

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

In substantially all cases, services transfer to customers when performed by the Corporation. In no case does the Corporation act as an agent (i.e., the Corporation does not provide a service of arranging for another party to transfer services to the customer).

The transaction price of a contract is the amount of consideration to which the Corporation expects to be entitled in exchange for transferring promised services to a customer. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes).

To determine the transaction price of a contract, the Corporation considers its customary practices and the terms of the contract. For the purpose of determining the transaction prices, the Corporation assumes the services will be transferred to the customer as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified.

Costs to obtain a contract with a customer are generally incurred regardless of whether the contract was obtained and are expensed as incurred. Costs incurred in fulfilling a contract with a customer are recorded as program services. Program services include all salaries and wages, employee benefits, payroll taxes, and other program-specific expenses.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

Investments

Investments in debt and equity securities are recorded at fair value based on quoted market prices. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement. Any resulting gain or loss is reflected in the statement of activities and changes in net assets. Cost of maintenance and repairs is charged to expense when incurred.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

The Corporation classifies its expenses based on the following categories:

In-house Research includes funded projects, unfunded projects, and major research initiatives.

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

General Research, Community Service, and External Grants includes external grants and other general research activities.

Publications consists only of the activities of the publications department.

Employment Training Assistance Programs includes the Center for Workforce Innovation and Solutions (CWIS) program expenses.

Management and General represents the administrative expense for the research division.

Library, Archives, and Repository consists of the related expenses for the information center.

Center for Workforce Innovation and Solutions Administration includes only the administrative expenses for the CWIS.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

Upcoming Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is not expected to have a significant effect on the Corporation's financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 10, 2022, which is the date the financial statements were available to be issued.

Note 3 - Concentration of Credit Risk

The Corporation's bank deposits occasionally exceed federal depository insurance limitations. The uninsured cash balances totaled \$3,520,880 and \$2,620,187 at December 31, 2021 and 2020, respectively. Management believes that it is impractical to insure all bank deposits. Management evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

December 31, 2021 and 2020

Note 4 - Receivables

Receivables at December 31, 2021 and 2020 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------|---------------------|---------------------|
| Contracts | \$ 1,088,670 | \$ 1,467,782 |
| Publications and other | 17,355 | 149,860 |
| Total | <u>\$ 1,106,025</u> | <u>\$ 1,617,642</u> |

Contracts receivable as of January 1, 2020 were approximately \$1,300,000. As of December 31, 2021 and 2020, no allowance has been recorded.

Note 5 - Investments

Investments are maintained in custodial accounts directed by professional investment managers. Investments at December 31, 2021 and 2020 consist of the following, with separate identification of investments representing 1 percent or more of total assets:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Mutual funds: | | |
| DFA U.S. Large Cap Value Fund | \$ 28,671,451 | \$ 22,386,901 |
| Vanguard Institutional Index Fund | 57,756,039 | 48,892,568 |
| Western Assets Bond Fund | 27,114,123 | 26,077,690 |
| Loomis Sayles Bond Fund | 12,653,577 | 11,259,156 |
| Vanguard Mid Cap Index Fund | 30,392,498 | 26,557,825 |
| DFA International Core Equity Fund | 17,825,726 | 15,654,068 |
| Vanguard Small Cap Index Fund | 20,073,061 | 17,706,508 |
| Artisan International | 19,904,984 | 18,220,454 |
| Principal Investment Real Estate Securities | 15,632,880 | 11,194,955 |
| Other | 36,019,415 | 29,962,898 |
| Money market accounts | 879,160 | 2,371,752 |
| Total | <u>\$ 266,922,914</u> | <u>\$ 230,284,775</u> |

Investment activity is reflected below:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|----------------------|----------------------|
| Dividends and interest | \$ 12,966,479 | \$ 5,833,068 |
| Appreciation in fair value | 30,831,068 | 16,497,881 |
| Investment advisory fees | <u>(306,087)</u> | <u>(257,577)</u> |
| Investment income | <u>\$ 43,491,460</u> | <u>\$ 22,073,372</u> |

December 31, 2021 and 2020

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

| | 2021 | 2020 | Depreciable Life - Years |
|----------------------------|---------------------|---------------------|-----------------------------|
| Land | \$ 596,776 | \$ 596,776 | - |
| Land improvements | 28,466 | 28,466 | 10-15 |
| Buildings | 12,394,144 | 8,514,846 | 25-30 |
| Machinery and equipment | 1,710,988 | 1,509,300 | 3-15 |
| Construction in progress | - | 2,983,306 | - |
| Total cost | <u>14,730,374</u> | <u>13,632,694</u> | |
| Accumulated depreciation | <u>7,121,558</u> | <u>6,719,400</u> | |
| Net property and equipment | <u>\$ 7,608,816</u> | <u>\$ 6,913,294</u> | |

Depreciation expense was \$402,158 for 2021 and \$287,723 for 2020.

At December 31, 2021 and 2020, the Corporation had outstanding commitments for construction costs totaling approximately \$0 and \$300,000, respectively.

Note 7 - Long-term Debt

Long-term debt at December 31, 2021 is as follows:

| | |
|---|---------------------|
| Note payable to a bank in monthly principal installments of \$17,361, plus interest at a fixed rate of 2.58 percent. The note is due on May 6, 2028 | \$ 2,378,472 |
| Less current portion | <u>208,332</u> |
| Long-term portion | <u>\$ 2,170,140</u> |

The balance of the above debt matures as follows:

| Years Ending | Amount |
|--------------|---------------------|
| 2022 | \$ 208,332 |
| 2023 | 208,332 |
| 2024 | 208,332 |
| 2025 | 208,332 |
| 2026 | 208,332 |
| Thereafter | <u>1,336,812</u> |
| Total | <u>\$ 2,378,472</u> |

Interest expense for 2021 and 2020 was \$36,475 and \$0, respectively.

Note 8 - Commitments

Trustees of the Corporation can approve external research grants with accumulated obligations that are subject to the satisfaction of certain conditions before payment and will not be reflected in the financial statements until these conditions are met in accordance with the provisions of the grants. No external research grants with accumulated obligations were approved at December 31, 2021 and 2020.

Note 9 - Pension Plan

The Corporation sponsors a defined contribution pension plan covering substantially all of its employees. Contributions are determined as 12 percent of each covered employee's salary and amounted to \$811,715 and \$766,297 in 2021 and 2020, respectively.

Note 10 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Corporation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. No such transfers were made in 2021 or 2020.

The following tables present information about the Corporation's assets measured at fair value on a recurring basis at December 31, 2021 and 2020 and the valuation techniques used by the Corporation to determine those fair values:

| | Assets Measured at Fair Value on a Recurring Basis at December 31, 2021 | | | |
|---|--|--|--|------------------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at December 31, 2021 |
| Cash equivalents - Money market mutual funds | \$ 879,160 | \$ - | \$ - | \$ 879,160 |
| Domestic mutual funds | 174,700,421 | - | - | 174,700,421 |
| International mutual funds | 51,575,632 | - | - | 51,575,632 |
| Fixed-income mutual funds | 39,767,701 | - | - | 39,767,701 |
| Total assets | \$ 266,922,914 | \$ - | \$ - | \$ 266,922,914 |

Note 10 - Fair Value Measurements (Continued)

| | Assets Measured at Fair Value on a Recurring Basis at December 31, 2020 | | | Balance at December 31, 2020 |
|---|--|--|--|------------------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Cash equivalents - Money market mutual funds | \$ 2,371,752 | \$ - | \$ - | \$ 2,371,752 |
| Domestic mutual funds | 144,163,450 | - | - | 144,163,450 |
| International mutual funds | 46,412,727 | - | - | 46,412,727 |
| Fixed-income mutual funds | 37,336,846 | - | - | 37,336,846 |
| Total assets | \$ 230,284,775 | \$ - | \$ - | \$ 230,284,775 |

Note 11 - Liquidity and Availability of Financial Resources

The Corporation has \$5,481,413 and \$6,888,654 of financial assets available within one year of December 31, 2021 and 2020 to meet cash needs for general expenditure consisting of cash of \$3,693,613 and \$2,953,947, receivables of \$1,106,025 and \$1,617,641, and short-term investments of \$681,775 and \$2,314,196, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The receivables are subject to implied time restrictions but are expected to be collected within one year. The Corporation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Corporation invests cash in excess of daily requirements in various short-term investments, including a money market fund.

Note 12 - Operating Leases

The Corporation is obligated under operating leases primarily for buildings and equipment, expiring at various dates through 2026. The leases require the Corporation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense, excluding the ancillary expenses, under these leases was approximately \$677,040 and \$665,700 for 2021 and 2020, respectively. The Corporation subleases a small portion of the leased building space.

Future minimum annual commitments under these operating leases are as follows:

| Years Ending December 31 | Amount |
|-----------------------------|---------------------|
| 2022 | \$ 616,106 |
| 2023 | 615,417 |
| 2024 | 616,138 |
| 2025 | 571,562 |
| 2026 | 83,712 |
| Total | \$ 2,502,935 |