

GRIFFISS INSTITUTE INC.
AND SUBSIDIARY

For the Year Ended
December 31, 2024

CONSOLIDATED
FINANCIAL STATEMENTS,
SUPPLEMENTAL
SCHEDULES AND
COMPLIANCE REPORTS

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

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Independent Auditor's Report

Board of Directors
Griffiss Institute Inc. and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Griffiss Institute Inc. (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Griffiss Institute Inc. and subsidiary as of December 31, 2024 and 2023, and the changes in their net assets and their 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 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 the Financial Statements section of our report. We are required to be independent of Griffiss Institute Inc. and subsidiary and to meet our other 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 opinions. The financial statements of the subsidiary, Cyber Research Institute, Inc., were not audited in accordance with *Government Auditing Standards*.

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 Griffiss Institute Inc. and subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Griffiss Institute Inc. and subsidiary'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 Griffiss Institute Inc. and subsidiary'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.

Report on Consolidating and Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules, as described in the table of contents, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and it is not a required part of the consolidated financial statements. In addition, the accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a part of the consolidated financial statements. Such 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 consolidating and supplementary information has been subjected to the auditing procedures applied in the audits 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2025, on our consideration of Griffiss Institute Inc.'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 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 Griffiss Institute Inc.'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 Griffiss Institute Inc.'s internal control over financial reporting and compliance.

D'Arcangelo & Co., LLP

June 25, 2025

Rome, New York

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash	\$ 1,257,210	\$ 655,880
Restricted Cash	28,681	19,140
Accounts Receivable	154,641	205,214
Grants and Contracts Receivable	4,257,475	5,216,517
Prepaid Expenses	<u>220,626</u>	<u>151,567</u>
Total Current Assets	<u>5,918,633</u>	<u>6,248,318</u>
Property		
Furniture, Fixtures, and Equipment	1,383,187	1,383,187
Computer Equipment	<u>742,748</u>	<u>712,380</u>
Total Property	2,125,935	2,095,567
Accumulated Depreciation	<u>(1,424,307)</u>	<u>(1,167,887)</u>
Net Property	<u>701,628</u>	<u>927,680</u>
Operating Lease Right-of-Use Asset		
Building	<u>397,475</u>	<u>907,832</u>
Other Assets		
Investments	<u>17,000</u>	<u>0</u>
Total Assets	<u><u>\$ 7,034,736</u></u>	<u><u>\$ 8,083,830</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 2,795,992	\$ 2,464,705
Agency Liabilities	8,681	9,140
Accrued Expenses	297,279	93,001
Deferred Revenue	13,252	13,637
Contract Liabilities	269,322	1,114,379
Operating Lease Liability - Current	397,344	510,488
Current Maturities of Long-Term Debt	<u>160,355</u>	<u>207,895</u>
Total Current Liabilities	<u>3,942,225</u>	<u>4,413,245</u>
Long-Term Liabilities		
Compensated Absences	251,868	177,491
Operating Lease Liability	0	397,344
Long-Term Debt	<u>0</u>	<u>160,355</u>
Total Long-Term Liabilities	<u>251,868</u>	<u>735,190</u>
Net Assets		
Without Donor Restrictions	2,820,643	2,925,395
With Donor Restrictions	<u>20,000</u>	<u>10,000</u>
Total Net Assets	<u>2,840,643</u>	<u>2,935,395</u>
Total Liabilities and Net Assets	<u><u>\$ 7,034,736</u></u>	<u><u>\$ 8,083,830</u></u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues and Support		
Grants and Contracts	\$ 27,529,645	\$ 34,583,702
Contributions	30,500	10,000
Support Services	228,067	85,201
STEM Programs	0	11,900
Hosted Meetings	23,933	94,846
Other Income	79,758	75,549
Total Revenues and Support	<u>27,891,903</u>	<u>34,861,198</u>
Expenses		
Program Services		
Research and Economic Development	25,305,397	32,760,366
Supporting Services		
Management and General	<u>2,681,258</u>	<u>2,164,427</u>
Total Expenses	<u>27,986,655</u>	<u>34,924,793</u>
Change in Net Assets	(94,752)	(63,595)
Net Assets, Beginning of Year	<u>2,935,395</u>	<u>2,998,990</u>
Net Assets, End of Year	<u><u>\$ 2,840,643</u></u>	<u><u>\$ 2,935,395</u></u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024
(With Comparative Totals For the Year Ended December 31, 2023)

	Program Services	Supporting Services	Total	
	Research and Economic Development	Management and General	2024	2023
Salaries	\$ 5,468,673	\$ 1,252,400	\$ 6,721,073	\$ 6,798,871
Employee Benefits	1,389,833	318,291	1,708,124	1,275,885
Payroll Taxes	451,147	103,319	554,466	555,918
Consulting	10,817,246	79,553	10,896,799	17,256,069
Other Professional Fees	0	128,680	128,680	167,947
Contracted Services	249,027	359,369	608,396	346,603
Leases	627,836	69,760	697,596	702,153
Office Expenses	0	86,681	86,681	121,994
Service Fees	0	0	0	40,000
Contract and Grant Materials	3,930,400	0	3,930,400	5,102,655
Travel and Promotion	523,931	13,235	537,166	716,170
Scholarship Program	1,220,250	0	1,220,250	1,002,309
Interest Expense	0	20,460	20,460	23,734
Information Technology	338,290	37,588	375,878	396,609
Business Expense	0	18,782	18,782	12,981
Professional Development and Training	0	81,943	81,943	96,042
Depreciation	230,779	25,642	256,421	241,348
Events Catering	39,449	0	39,449	13,197
Memberships	0	5,244	5,244	3,165
Lobbying Expenses	0	53,481	53,481	23,000
Other Expenses	18,504	26,830	45,334	25,046
Bad Debt Expense	32	0	32	3,097
Total Expenses	<u>\$ 25,305,397</u>	<u>\$ 2,681,258</u>	<u>\$ 27,986,655</u>	<u>\$ 34,924,793</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	Program Services	Supporting Services	
	Research and Economic Development	Management and General	Total
Salaries	\$ 5,986,715	\$ 812,156	\$ 6,798,871
Employee Benefits	1,123,475	152,410	1,275,885
Payroll Taxes	489,511	66,407	555,918
Consulting	17,106,324	149,745	17,256,069
Professional Fees	0	167,947	167,947
Contracted Services	0	346,603	346,603
Leases	631,938	70,215	702,153
Office Expenses	0	121,994	121,994
Service Fees	0	40,000	40,000
Contract and Grant Materials	5,102,655	0	5,102,655
Travel and Promotion	708,069	8,101	716,170
Scholarship Program	1,002,309	0	1,002,309
Interest Expense	0	23,734	23,734
Information Technology	356,948	39,661	396,609
Business Expense	0	12,981	12,981
Professional Development and Training	0	96,042	96,042
Depreciation	217,213	24,135	241,348
Events Catering	13,197	0	13,197
Memberships	0	3,165	3,165
Lobbying Expenses	0	23,000	23,000
Other Expenses	18,915	6,131	25,046
Bad Debt Expense	3,097	0	3,097
Total Expenses	<u>\$ 32,760,366</u>	<u>\$ 2,164,427</u>	<u>\$ 34,924,793</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Decrease in Net Assets	\$ (94,752)	\$ (63,595)
Adjustments for Noncash Transactions		
Depreciation	256,421	241,348
Amortization of Right of Use Assets	510,357	854,375
(Increase) Decrease in Assets		
Accounts Receivable	50,573	(141,325)
Grants and Contracts Receivable	959,042	(1,053,441)
Prepaid Expenses	(69,059)	4,288
Increase (Decrease) in Liabilities		
Accounts Payable	331,287	842,309
Agency Liabilities	(459)	(6,268)
Accrued Expenses	204,278	66,984
Deferred Revenue	(385)	(93,338)
Contract Liabilities	(845,057)	1,114,379
Compensated Absences	74,377	45,329
Lease Liability	<u>(510,488)</u>	<u>(854,375)</u>
Net Cash Provided (Used) by Operating Activities	<u>866,135</u>	<u>956,670</u>
Cash Flows from Investing Activities		
Capital Expenditures	(30,369)	(174,809)
Contributions to Investment Pool	<u>(17,000)</u>	<u>0</u>
Net Cash (Used) by Investing Activities	<u>(47,369)</u>	<u>(174,809)</u>
Cash Flows from Financing Activities		
Repayments of Long-Term Debt	<u>(207,895)</u>	<u>(201,398)</u>
Net Cash (Used) by Financing Activities	<u>(207,895)</u>	<u>(201,398)</u>
Net Increase in Cash and Restricted Cash	610,871	580,463
Cash and Restricted Cash, Beginning of Year	<u>675,020</u>	<u>94,557</u>
Cash and Restricted Cash, End of Year	<u>\$ 1,285,891</u>	<u>\$ 675,020</u>
Supplemental Cash Flow Disclosure		
Cash Paid During The Year For		
Interest	<u>\$ 20,460</u>	<u>\$ 23,734</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Griffiss Institute Inc. (GI) is organized and operated solely and exclusively for applied scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. As such, GI carries on scientific research to advance the study of the security and vulnerability of public and private information systems and infrastructure and related matters by publishing the results of such research in treatises, trade publications, or in any other form that is available to the interested public through published reports, meetings, workshops, seminars, news releases, films and videos, or other avenues available to meet such publication requirements.

Principles of Consolidation

The consolidated financial statements include the accounts of Cyber Research Institute, Inc. (CRI). All significant inter-organization balances and transactions are eliminated.

CRI was formed in 2013 with GI as the sole, initial member. GI also provides additional economic support and, accordingly, the accounts of CRI have been consolidated herein, as required by generally accepted accounting principles.

CRI was formed for the purpose of providing multi-disciplinary scientific research for government and industry, with an emphasis on the area of cyber security, for the benefit of the public and to assist the geographic area of central New York State to attract new industries, to locate new facilities or expand existing facilities, and to retain and develop the existing cyber security industry located in Rome, New York, and the surrounding communities. CRI also promotes education of the public on subjects useful to individuals and beneficial to communities by publishing information and hosting forums and workshops and to facilitate collaboration and the sharing of knowledge related to the area of cyber security between public and private institutions.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The focus is on Griffiss Institute Inc. and its subsidiary (collectively referred to as the Organization) as a whole and the consolidated financial statements present balances and transactions according to the existence or absence of donor-imposed restrictions. The Organization is required to report information regarding financial position and activities according to two classes: net assets without donor restrictions or net assets with donor restrictions.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization. At December 31, 2024 and 2023 net assets with donor restrictions were \$20,000 and \$10,000, respectively.

Tax Status

GI is a nonprofit organization exempt from federal and New York State income taxes under Internal Revenue Code Section 501(c)(3). GI has also been determined to be other than a private foundation, as described in Section 509(a)(1) of the Internal Revenue Code. CRI is also a nonprofit organization exempt from federal and New York State income taxes under Internal Revenue Code Section 501(c)(3). CRI has also been determined to be other than a private foundation, as described in Section 509(a)(1) of the Internal Revenue Code.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Cash

Restricted cash are funds received from the fundraising efforts of the STEM Groups and is set aside for their use only.

Grants, Contracts, and Accounts Receivable

On January 1, 2023, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2016-13 (ASU 2016-13), *Financial Instruments – Credit Losses (Topic 326) (CECL)*. The Organization extends credit to customers without requiring collateral. Contracts, grants and accounts receivable are recorded at cost. Management estimates of expected credit losses are based on historical experience and trends, current economic conditions, and supportable forecasts. Based on management's assessment, the organization provides for estimated uncollectible amounts through an allowance for credit losses. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off. Recoveries of contracts receivable previously written off are recorded when received.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization does not believe it has significant exposure to credit risk as the majority of the accounts receivable balance is due from the U.S. government, or other state and local governments as prime contractor or subcontractor. Accordingly, the Organization considers its receivables to be fully collectible at year end and has not recognized an allowance for credit losses as of December 31, 2024, and 2023.

Property

Property is recorded by the Organization at historical cost or at fair value (on the date of donation), if donated. Property purchased with grantor funding must be used for its intended purpose and cannot be disposed of without prior grantor approval. Leasehold Improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease. All other property is depreciated over estimated useful lives based on the straight-line method as follows:

	<u>Estimated Useful Lives</u>
Computers	3 Years
Office Furniture and Equipment	5-15 Years

The Organization has a capitalization threshold of \$2,500. Depreciation expense amounted to \$256,421 and \$241,348 for the years ended December 31, 2024 and 2023, respectively.

Operating Lease Right-of-Use Asset

Per ASU No. 2016-02, *Leases (Topic 842)*, a right-of-use asset is an asset that represents the Organization's right to use, or control the use of, a specified asset for the lease term. The right-of-use asset is measured at the lease liability amount, adjusted for lease prepayments, incentives, and initial direct costs (e.g., commissions). The lease liability is measured as the present value of future lease payments.

Contract Liabilities

Contract liabilities represent billings in excess of costs for which the entity has received consideration (or the amount is due and included in receivables). The liability will be reduced when these amounts are deducted from future billings. The contract liability balances at December 31, 2024 and 2023, and January 1, 2023 were \$269,322, \$1,114,379, and \$0, respectively.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Valuation

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 10 for discussion of fair value measurements.

Reclassifications

Certain amounts in the 2023 financial statements have been reclassified for comparative purposes to conform to the 2024 presentation. The reclassifications have no impact on the Organization's previously reported total net assets.

Revenue Recognition

Most of the Organization's revenue is derived from cost-reimbursable federal, state, and local project grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization recognizes contributions only when cash is received. The Organization generally does not receive conditional promises to give, that is, those with a measurable performance or other barrier and a right of return. If they did, they would not be recognized until the conditions on which they depend have been met.

Functional Expense Allocations

The costs of providing the various programs and activities have been allocated on a functional basis among the programs and supporting services benefited. Most expenses were allocated according to specific identification. Indirect expenses are allocated as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Employee Benefits	Time and Effort
Payroll Taxes	Time and Effort
Overhead Labor	Estimated Square Footage
Occupancy	Estimated Square Footage
Information Technology	Estimated Square Footage
Depreciation	Estimated Square Footage

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 CONCENTRATIONS

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. Cash balances are insured by the Federal Deposit Insurance Corporation. From time to time, cash balances exceed the insurance coverage limits; however, management considers this to be a normal business risk.

A significant portion of the Organization's activities are funded by revenues received from government grants and contracts. Large program budget cuts by this funding source could have an impact upon the continuation of the Organization's research and development efforts.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FUNDS

At December 31, 2024, the Organization has \$5,686,326 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$1,257,210, excluding restricted cash of \$28,681, receivables of \$4,412,116, and investments of \$17,000. At December 31, 2023, the Organization has \$6,077,611 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$655,880, excluding restricted cash of \$19,140, and receivables of \$5,421,731.

There are no other financial assets that 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 time restrictions but are expected to be collected within one year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 5, the Organization also has an available line of credit in the amount of \$1.5 million, of which the Organization could draw upon in the event of an unanticipated liquidity need.

NOTE 4 LEASING ACTIVITY

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. The Organization will only reassess if the terms and conditions of the contract are changed.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 LEASING ACTIVITY (Continued)

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the Right of Use (ROU) assets and lease liabilities. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements of net position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has elected the practical expedient to determine the present value of the lease payments using the risk-free rate based on the information available at the commencement date.

The Organization has elected the practical expedient to not record short term leases (leases with an initial term of 12 months or less) on the statements of financial position.

The Organization is leasing approximately 28,187 square feet of office space within Griffiss Business and Technology Park in Rome, NY and 8,990 of laboratory space in this location from the County of Oneida, New York. The lease is for an initial term of five years with an option to renew for an additional five years. During 2023, the Organization entered into an amendment to the existing lease agreement to reduce the rent payments and add 1,684 square feet of laboratory space effective January 2024. Operating lease expense for this space during the years ended December 31, 2024 and 2023 was \$537,462 and \$651,206, respectively. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Operating leases are included in operating right of use assets and operating lease liabilities in the Statement of Financial Position. According to the Organization's elected policy, the lease asset and liability were initially calculated utilizing the risk-free discount rate of 1.21%, and then remeasured due to the lease amendment at December 31, 2023 using the risk-free rate of 4.23%.

Future undiscounted lease payments and reconciliation to the operating lease liability in the Statement of Financial Position as of December 31, 2024 are as follows:

<u>Year</u>	<u>Operating Lease</u>
2025	\$ 402,965
Total Lease Payments	402,965
Less: Interest	5,621
Present Value of Lease Liability	<u>\$ 397,344</u>

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 LEASING ACTIVITY (Continued)

Additional information about the Organization's operating lease is as follows for the years ended December 31:

<u>Years Ended December 31</u>	<u>2024</u>	<u>2023</u>
<u>Lease Costs</u>		
Operating Lease Cost (Cost resulting from lease payments)	\$ 537,462	\$ 651,206
Total Lease Cost	537,462	651,206
<u>Cash Flow Information</u>		
Operating Lease - Operating Cash Flows (Fixed Payments)	537,287	651,206
Operating Lease - Operating Cash Flows (Liability Reduction)	510,488	634,079
<u>Weighted Average Remaining Lease Term</u>		
Operating leases	0.75 years	1.75 years
<u>Weighted Average Discount Rate</u>		
Operating leases	4.23%	4.23%

NOTE 5 LINE OF CREDIT

On November 14, 2017, GI opened a \$750,000 maximum revolving demand line of credit with a local financial institution for working capital needs. During 2019, the line of credit was increased to \$1.5 million. The interest rate is equal to 2.5% above one-month LIBOR, adjusted daily. The line has to be paid in full for a period of 30 consecutive days in each year and is secured by various assets of the Organization. The line of credit did not have an outstanding balance at December 31, 2024 and 2023.

NOTE 6 LONG-TERM DEBT

	<u>2024</u>	<u>2023</u>
During 2020, GI entered into a \$1 million loan payable to M&T Bank due July 2025 to assist in financing the purchase of non-real estate business assets. The loan is secured by all non-real estate business assets of the company. It is currently being repaid by monthly payments of \$18,055, including interest fixed at 3.15% per annum, which will be made until maturity.		
	\$ 160,355	\$ 368,250
Less: Current Maturities	<u>160,355</u>	<u>207,895</u>
Total Long-Term Debt	<u>\$ 0</u>	<u>\$ 160,355</u>

Interest expense for GI on all debt for the years ended December 31, 2024 and 2023 is \$20,460 and \$23,734, respectively.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 COMPENSATED ABSENCES

Full-time employees of the Organization are awarded paid time off (PTO) depending on their years of service up to a maximum of 29 days. Employees of the Organization may only carry over from one year to the next a maximum of 5 unused PTO days, although additional days may be allowed with prior authorization. Employees that leave the Organization are entitled to receive up to two weeks of their earned but unused PTO. The accrual for PTO accumulated by the Organization at December 31, 2024 and 2023 was estimated to be \$95,232 and \$63,501, respectively.

In addition to PTO, the Organization has a policy of accruing leave for medical reasons. All full-time employees accrue this leave at a rate of 7.5 hours per month up to a maximum of 75 hours. However, employees with more than 75 hours prior to January 1, 2018, were grandfathered to carry over up to 300 hours until they are below the 75-hour cap. This leave is non-vesting as employees are not entitled to a cash payment for unused entitlement upon leaving the Organization. The obligation arises as employees render service that increases their entitlement to future compensated absences. Employees that leave the Organization before they use the non-vesting entitlement will forfeit their balance. The accrual for medical leave accumulated by the Organization at December 31, 2024 and 2023 was estimated to be \$156,636 and \$113,990, respectively.

NOTE 8 PENSION PLAN

The Organization established a pension plan (the Plan) offered to all full-time employees. Employees are eligible for participation in the Plan in the first month following one year of service with the Organization. The Organization's contributions to the Plan are equal to 10% of the employees' annual compensation. The Organization contributed \$369,712 and \$274,039 to the Plan for the years ended December 31, 2024 and 2023, respectively.

NOTE 9 CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment principally by the Federal and State Governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable program. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

The Organization is subject to various claims and legal actions in the ordinary conduct of its affairs. Such claims and legal actions, in the opinion of management, are not expected to have a material effect on the financial statements.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board authoritative guidance on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that GI has the ability to access.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Pooled Investments: GI has investments held by Community Foundation of Herkimer and Oneida Counties, Inc. (the Foundation). The Foundation maintains master investment accounts. Investment income from securities in the master investment accounts are allocated to the individual accounts based on the relationship of the market value of each account to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

All assets have been valued using a market approach except for certain Level 3 assets which have been valued using a combination of market approach and income approach.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 FAIR VALUE MEASUREMENTS (Continued)

Securities and other assets for which market quotations are not readily available or for which the above valuation procedures are deemed not to reflect fair value are valued in a manner that is intended to reflect their fair value as determined in accordance with procedures established by the Foundation.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although GI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, GI's assets measured at fair value on a recurring basis as of December 31, 2024:

Investments	Total	2024 Fair Value Measurements		
		(Level 1)	(Level 2)	(Level 3)
Pooled Investments	\$ 17,000	\$ 0	\$ 0	\$ 17,000
Total	\$ 17,000	\$ 0	\$ 0	\$ 17,000

The following table sets forth a summary of changes in Level 3 assets and liabilities measured on a recurring basis for the year ended December 31, 2024:

	2024
Beginning Balance 01/01	\$ 0
Total Gains (Losses)	44
Contributions	17,000
Withdrawal	0
Administrative Fee	(44)
Ending Balance 12/31	\$ 17,000
Total Gains (Losses) for the Year Included in the Change in Net Assets as Investment Income, For Assets Still Held at the Reporting Date	\$ 17,000

NOTE 11 SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2025, the date on which the consolidated financial statements were available to be issued.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2024

	<u>GI</u>	<u>CRI</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Consolidated Balance</u>
Current Assets					
Cash	\$ 1,200,001	\$ 57,209	\$ 1,257,210	\$ 0	\$ 1,257,210
Restricted Cash	28,681	0	28,681	0	28,681
Accounts Receivable	154,445	0	154,445	0	154,445
Due from Related Organizations	196	40,012	40,208	(40,012)	196
Grants and Contracts Receivable	4,257,475	0	4,257,475	0	4,257,475
Prepaid Expenses	<u>220,626</u>	<u>0</u>	<u>220,626</u>	<u>0</u>	<u>220,626</u>
Total Current Assets	<u>5,861,424</u>	<u>97,221</u>	<u>5,958,645</u>	<u>(40,012)</u>	<u>5,918,633</u>
Property					
Furnitures, Fixtures, and Equipment	1,383,187	0	1,383,187	0	1,383,187
Computer Equipment	<u>739,307</u>	<u>3,441</u>	<u>742,748</u>	<u>0</u>	<u>742,748</u>
Total Property	2,122,494	3,441	2,125,935	0	2,125,935
Accumulated Depreciation	<u>(1,420,866)</u>	<u>(3,441)</u>	<u>(1,424,307)</u>	<u>0</u>	<u>(1,424,307)</u>
Net Property	<u>701,628</u>	<u>0</u>	<u>701,628</u>	<u>0</u>	<u>701,628</u>
Operating Lease Right-of-Use Asset					
Building	<u>397,475</u>	<u>0</u>	<u>397,475</u>	<u>0</u>	<u>397,475</u>
Other Assets					
Investments	<u>17,000</u>	<u>0</u>	<u>17,000</u>	<u>0</u>	<u>17,000</u>
Total Assets	<u>\$ 6,977,527</u>	<u>\$ 97,221</u>	<u>\$ 7,074,748</u>	<u>\$ (40,012)</u>	<u>\$ 7,034,736</u>
Current Liabilities					
Accounts Payable	\$ 2,795,992	\$ 0	\$ 2,795,992	\$ 0	\$ 2,795,992
Agency Liabilities	8,681	0	8,681	0	8,681
Accrued Expenses	297,279	0	297,279	0	297,279
Due to Related Organization	40,012	0	40,012	(40,012)	0
Deferred Revenue	13,252	0	13,252	0	13,252
Contract Liabilities	269,322	0	269,322	0	269,322
Operating Lease Liability - Current	397,344	0	397,344	0	397,344
Current Maturities of Long-Term Debt	<u>160,355</u>	<u>0</u>	<u>160,355</u>	<u>0</u>	<u>160,355</u>
Total Current Liabilities	<u>3,982,237</u>	<u>0</u>	<u>3,982,237</u>	<u>(40,012)</u>	<u>3,942,225</u>
Long-Term Liabilities					
Compensated Absences	<u>251,868</u>	<u>0</u>	<u>251,868</u>	<u>0</u>	<u>251,868</u>
Net Assets					
Without Donor Restrictions	2,723,422	97,221	2,820,643	0	2,820,643
With Donor Restrictions	<u>20,000</u>	<u>0</u>	<u>20,000</u>	<u>0</u>	<u>20,000</u>
Total Net Assets	<u>2,743,422</u>	<u>97,221</u>	<u>2,840,643</u>	<u>0</u>	<u>2,840,643</u>
Total Liabilities and Net Assets	<u>\$ 6,977,527</u>	<u>\$ 97,221</u>	<u>\$ 7,074,748</u>	<u>\$ (40,012)</u>	<u>\$ 7,034,736</u>

See Independent Auditor's Report.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2024

	<u>GI</u>			<u>CRI</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Consolidated Balance</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>			
Revenues and Support							
Grants and Contracts	\$ 27,529,645	\$ 0	\$ 27,529,645	\$ 0	\$ 27,529,645	\$ 0	\$ 27,529,645
Support Services	228,067	0	228,067	0	228,067	0	228,067
Contributions	20,500	10,000	30,500	0	30,500	0	30,500
Hosted Meetings	23,933	0	23,933	0	23,933	0	23,933
Other Income	79,758	0	79,758	0	79,758	0	79,758
Total Revenues and Support	<u>27,881,903</u>	<u>10,000</u>	<u>27,891,903</u>	<u>0</u>	<u>27,891,903</u>	<u>0</u>	<u>27,891,903</u>
Expenses							
Program Services							
Research and Economic Development	25,305,397	0	25,305,397	0	25,305,397	0	25,305,397
Supporting Services							
Management and General	<u>2,681,122</u>	<u>0</u>	<u>2,681,122</u>	<u>136</u>	<u>2,681,258</u>	<u>0</u>	<u>2,681,258</u>
Total Expenses	<u>27,986,519</u>	<u>0</u>	<u>27,986,519</u>	<u>136</u>	<u>27,986,655</u>	<u>0</u>	<u>27,986,655</u>
Change in Net Assets	(104,616)	10,000	(94,616)	(136)	(94,752)	0	(94,752)
Net Assets, Beginning of Year	<u>2,828,038</u>	<u>10,000</u>	<u>2,838,038</u>	<u>97,357</u>	<u>2,935,395</u>	<u>0</u>	<u>2,935,395</u>
Net Assets, End of Year	<u>\$ 2,723,422</u>	<u>\$ 20,000</u>	<u>\$ 2,743,422</u>	<u>\$ 97,221</u>	<u>\$ 2,840,643</u>	<u>\$ 0</u>	<u>\$ 2,840,643</u>

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2023

	<u>GI</u>	<u>CRI</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Consolidated Balance</u>
Current Assets					
Cash	\$ 598,535	\$ 57,345	\$ 655,880	\$ 0	\$ 655,880
Restricted Cash	19,140	0	19,140	0	19,140
Accounts Receivable	205,214	0	205,214	0	205,214
Grants and Contracts Receivable	5,176,505	40,012	5,216,517	0	5,216,517
Prepaid Expenses	<u>151,567</u>	<u>0</u>	<u>151,567</u>	<u>0</u>	<u>151,567</u>
Total Current Assets	<u>6,150,961</u>	<u>97,357</u>	<u>6,248,318</u>	<u>0</u>	<u>6,248,318</u>
Property					
Furnitures, Fixtures, and Equipment	1,383,187	0	1,383,187	0	1,383,187
Computer Equipment	<u>708,939</u>	<u>3,441</u>	<u>712,380</u>	<u>0</u>	<u>712,380</u>
Total Property	2,092,126	3,441	2,095,567	0	2,095,567
Accumulated Depreciation	<u>(1,164,446)</u>	<u>(3,441)</u>	<u>(1,167,887)</u>	<u>0</u>	<u>(1,167,887)</u>
Net Property	<u>927,680</u>	<u>0</u>	<u>927,680</u>	<u>0</u>	<u>927,680</u>
Operating Lease Right-of-Use Asset					
Building	<u>907,832</u>	<u>0</u>	<u>907,832</u>	<u>0</u>	<u>907,832</u>
Total Assets	<u>\$ 7,986,473</u>	<u>\$ 97,357</u>	<u>\$ 8,083,830</u>	<u>\$ 0</u>	<u>\$ 8,083,830</u>
Current Liabilities					
Accounts Payable	\$ 2,464,705	\$ 0	\$ 2,464,705	\$ 0	\$ 2,464,705
Agency Liabilities	9,140	0	9,140	0	9,140
Accrued Expenses	93,001	0	93,001	0	93,001
Deferred Revenue	13,637	0	13,637	0	13,637
Contract Liabilities	1,114,379	0	1,114,379	0	1,114,379
Operating Lease Liability - Current	510,488	0	510,488	0	510,488
Current Maturities of Long-Term Debt	<u>207,895</u>	<u>0</u>	<u>207,895</u>	<u>0</u>	<u>207,895</u>
Total Current Liabilities	<u>4,413,245</u>	<u>0</u>	<u>4,413,245</u>	<u>0</u>	<u>4,413,245</u>
Long-Term Liabilities					
Compensated Absences	177,491	0	177,491	0	177,491
Operating Lease Liability	397,344	0	397,344	0	397,344
Long-Term Debt	<u>160,355</u>	<u>0</u>	<u>160,355</u>	<u>0</u>	<u>160,355</u>
Total Long-Term Liabilities	<u>735,190</u>	<u>0</u>	<u>735,190</u>	<u>0</u>	<u>735,190</u>
Net Assets					
Without Donor Restrictions	2,828,038	97,357	2,925,395	0	2,925,395
With Donor Restrictions	<u>10,000</u>	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Net Assets	<u>2,838,038</u>	<u>97,357</u>	<u>2,935,395</u>	<u>0</u>	<u>2,935,395</u>
Total Liabilities and Net Assets	<u>\$ 7,986,473</u>	<u>\$ 97,357</u>	<u>\$ 8,083,830</u>	<u>\$ 0</u>	<u>\$ 8,083,830</u>

See Independent Auditor's Report.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2023

	<u>GI</u>			<u>CRI</u>	<u>Combined Balance</u>	<u>Consolidation Elimination</u>	<u>Consolidated Balance</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>				
Revenues, Gains, and Support							
Grants and Contracts	\$ 34,583,702	\$ 0	\$ 34,583,702	\$ 0	\$ 34,583,702	\$ 0	\$ 34,583,702
Support Services	85,201	0	85,201	0	85,201	0	85,201
Contributions	0	10,000	10,000	0	10,000	0	10,000
STEM Programs	11,900	0	11,900	0	11,900	0	11,900
Hosted Meetings	94,846	0	94,846	0	94,846	0	94,846
Other Income	75,549	0	75,549	0	75,549	0	75,549
Total Revenues, Gains, and Support	<u>34,851,198</u>	<u>10,000</u>	<u>34,861,198</u>	<u>0</u>	<u>34,861,198</u>	<u>0</u>	<u>34,861,198</u>
Expenses							
Program Services							
Research and Economic Development	32,760,366	0	32,760,366	0	32,760,366	0	32,760,366
Supporting Services							
Management and General	<u>2,164,238</u>	<u>0</u>	<u>2,164,238</u>	<u>189</u>	<u>2,164,427</u>	<u>0</u>	<u>2,164,427</u>
Total Expenses	<u>34,924,604</u>	<u>0</u>	<u>34,924,604</u>	<u>189</u>	<u>34,924,793</u>	<u>0</u>	<u>34,924,793</u>
Change in Net Assets	(73,406)	10,000	(63,406)	(189)	(63,595)	0	(63,595)
Net Assets, Beginning of Year	<u>2,901,444</u>	<u>0</u>	<u>2,901,444</u>	<u>97,546</u>	<u>2,998,990</u>	<u>0</u>	<u>2,998,990</u>
Net Assets, End of Year	<u>\$ 2,828,038</u>	<u>\$ 10,000</u>	<u>\$ 2,838,038</u>	<u>\$ 97,357</u>	<u>\$ 2,935,395</u>	<u>\$ 0</u>	<u>\$ 2,935,395</u>

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

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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 Consolidated Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Directors
Griffiss Institute Inc.

We have audited, in accordance with the 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 Griffiss Institute Inc., (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 25, 2025. The financial statements of the subsidiary, Cyber Research Institute, Inc. (a nonprofit organization), were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with them.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Griffiss Institute Inc.'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 Griffiss Institute Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Griffiss Institute Inc.'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 the organization'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 Griffiss Institute Inc.'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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Arcangelo + Co., LLP

June 25, 2025

Rome, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

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

Board of Directors
Griffiss Institute Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Griffiss Institute Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Griffiss Institute Inc.'s major federal programs for the year ended December 31, 2024. Griffiss Institute Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Griffiss Institute Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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; 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 Griffiss Institute Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that 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 Griffiss Institute Inc.'s compliance with the compliance requirements referred to above.

Management's Responsibilities 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 and grant agreements applicable to Griffiss Institute Inc.'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 Griffiss Institute Inc.'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 generally accepted auditing standards, *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 the judgment made by a reasonable user of the report on compliance about Griffiss Institute Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Griffiss Institute Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Griffiss Institute Inc.'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 Griffiss Institute Inc.'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 that 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 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.

D'Arcangelo & Co., LLP

June 25, 2025

Rome, New York

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
Research and Development Cluster:			
<u>U.S. Department of Defense</u>			
(Direct)			
Science, Technology, Engineering & Mathematics (STEM)			
Education, Outreach and Workforce Program			
Agreement Number FA8750-19-3-6000	12.330	\$ 5,768,664	\$ _____
Air Force Defense Research Sciences Program			
Agreement Number FA8750-19-3-1001	12.800	14,565,796	
Agreement Number FA8750-20-3-1003	12.800	1,881,629	
Agreement Number FA8750-20-3-1004	12.800	2,683,165	
Agreement Number FA8750-24-2-0501	12.910	1,759,317	_____
Total Air Force Defense Research Sciences Program		<u>20,889,907</u>	_____
Total U.S. Department of Defense		<u>26,658,571</u>	_____
Total Research and Development Cluster		<u>26,658,571</u>	_____
<u>U.S. Department of Commerce</u>			
(Pass Through Central New York Defense Alliance)			
Congressionally Identified Projects			
Agreement Number 60NANB23D001	11.617	42,125	_____
<u>Total Expenditures of Federal Awards</u>		<u>\$ 26,700,696</u>	<u>\$ _____</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Griffiss Institute Inc. (GI), an entity as defined in Note 1 to GI's consolidated financial statements, under programs of the federal government for the year ended December 31, 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 GI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of GI.

Basis of Accounting

Expenditures reported on 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 expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the financial records detail, which is the source of the consolidated financial statements.

Use of Subrecipients

There were no awards passed through to subrecipients as indicated on the Schedule.

Cluster Programs

The Air Force Defense Research Sciences Program and the Science, Technology, Engineering & Mathematics (STEM) Education, Outreach and Workforce Program are considered part of the research and development cluster as identified by the "OMB Compliance Supplement".

De Minimis Indirect Cost Rate

GI has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2024

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Griffiss Institute Inc. and Subsidiary.
2. No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards* (as required by 2 CFR 200.515(d)(1)(ii)).
3. No instances of noncompliance material to the consolidated financial statements of the Griffiss Institute Inc. and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Griffiss Institute Inc. expresses an unmodified opinion.
6. No audit findings that were required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.

7. Major programs tested include:

<u>Program</u>	<u>Assistance Listing No.</u>
Research and Development Cluster:	
Air Force Defense Research Sciences Program	12.800
Science, Technology, Engineering & Mathematics (STEM) Education, Outreach and Workforce Program	12.330
Air Force Defense Research Sciences Program	12.910

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Griffiss Institute Inc. was determined to be a low risk auditee.

GRIFFISS INSTITUTE INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2024

Findings – Consolidated Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.