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# Edison Welding Institute

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**Consolidated Financial Report**  
**June 30, 2020**

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## Independent Auditor's Report

To the Board of Directors  
Edison Welding Institute

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Edison Welding Institute (EWI), which comprise the consolidated statement of financial position as of June 30, 2020 and 2019 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Edison Welding Institute as of June 30, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Edison Welding Institute

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of Edison Welding Institute'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 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 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 Edison Welding Institute's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

December 18, 2020

**Consolidated Statement of Financial Position**

**June 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,174,755	\$ 6,416,728
Accounts receivable:		
Billed - Net	2,697,562	3,208,301
Employees	13,177	15,880
Unbilled contracts in process	3,212,555	2,453,060
Inventory	1,904,122	-
Prepaid expenses and other current assets	503,142	682,275
Total current assets	15,505,313	12,776,244
<b>Other Assets</b> - Deferred tax asset (Note 15)	193,000	274,000
<b>Property and Equipment</b> - Net (Note 4)	10,428,676	11,349,335
<b>Intangible Assets</b> - Net (Note 6)	1,017,433	1,018,770
Total noncurrent assets	11,639,109	12,642,105
Total assets	<b>\$ 27,144,422</b>	<b>\$ 25,418,349</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,167,741	\$ 1,684,089
Short-term debt (Note 7)	950,000	-
Accrued compensation	1,145,686	1,155,710
Unearned revenue	5,141,142	6,627,301
Current portion of capital lease payable (Note 10)	245,986	117,736
Total current liabilities	8,650,555	9,584,836
<b>Paycheck Protection Program Loan</b> (Note 8)	2,823,907	-
<b>Capital Lease Payable</b> - Net of current portion (Note 10)	798,929	357,293
<b>Other Liabilities</b>	134,336	127,600
<b>Unearned Revenue</b>	1,263,171	1,337,475
Total liabilities	13,670,898	11,407,204
<b>Net Assets</b>		
Without donor restrictions:		
Edison Welding Institute	13,014,820	14,011,145
Noncontrolling interest (Note 16)	307,366	-
Total without donor restrictions	13,322,186	14,011,145
With donor restrictions	151,338	-
Total net assets	13,473,524	14,011,145
Total liabilities and net assets	<b>\$ 27,144,422</b>	<b>\$ 25,418,349</b>

**Consolidated Statement of Activities and Changes in Net Assets**

**Years Ended June 30, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Research and education activities	\$ 26,949,040	\$ 250,000	\$ 27,199,040	\$ 29,743,404	\$ -	\$ 29,743,404
Membership revenue	1,608,532	-	1,608,532	1,724,910	-	1,724,910
Product sales	2,396,214	-	2,396,214	412,093	-	412,093
Lease revenue	271,956	-	271,956	268,914	-	268,914
Other revenue	367,561	-	367,561	699,256	-	699,256
Net assets released from restrictions	98,662	(98,662)	-	532,456	(532,456)	-
<b>Total revenue, gains, and other support</b>	<b>31,691,965</b>	<b>151,338</b>	<b>31,843,303</b>	<b>33,381,033</b>	<b>(532,456)</b>	<b>32,848,577</b>
<b>Expenses</b>						
Program expenses - Cost of research and education activities	28,943,910	-	28,943,910	29,437,785	-	29,437,785
General and administrative	3,230,462	-	3,230,462	3,429,192	-	3,429,192
Unallocated expenses:						
Interest expense	40,868	-	40,868	47,270	-	47,270
Change in fair value - Interest rate swap	-	-	-	(1,947)	-	(1,947)
<b>Total unallocated expenses</b>	<b>40,868</b>	<b>-</b>	<b>40,868</b>	<b>45,323</b>	<b>-</b>	<b>45,323</b>
<b>Total expenses</b>	<b>32,215,240</b>	<b>-</b>	<b>32,215,240</b>	<b>32,912,300</b>	<b>-</b>	<b>32,912,300</b>
<b>Change in Net Assets - Before other items</b>	<b>(523,275)</b>	<b>151,338</b>	<b>(371,937)</b>	<b>468,733</b>	<b>(532,456)</b>	<b>(63,723)</b>
<b>Other Items - Income tax expense</b>	<b>(165,684)</b>	<b>-</b>	<b>(165,684)</b>	<b>(57,923)</b>	<b>-</b>	<b>(57,923)</b>
<b>Change in Net Assets</b>	<b>(688,959)</b>	<b>151,338</b>	<b>(537,621)</b>	<b>410,810</b>	<b>(532,456)</b>	<b>(121,646)</b>
<b>Net Assets - Beginning of year</b>	<b>14,011,145</b>	<b>-</b>	<b>14,011,145</b>	<b>13,600,335</b>	<b>532,456</b>	<b>14,132,791</b>
<b>Net Assets - End of year</b>	<b>\$ 13,322,186</b>	<b>\$ 151,338</b>	<b>\$ 13,473,524</b>	<b>\$ 14,011,145</b>	<b>\$ -</b>	<b>\$ 14,011,145</b>

**Consolidated Statement of Cash Flows**

**Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (537,621)	\$ (121,646)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	1,962,941	1,892,420
Gain on disposal of assets	(29,500)	(17,250)
Bad debt expense	19,915	101,301
Impairment of intangible assets	91,426	175,201
Change in interest rate swap fair value	-	(1,947)
Deferred income taxes	81,000	78,000
Changes in assets and liabilities:		
Accounts receivable	(265,968)	(36,291)
Inventory	(1,904,122)	-
Prepaid expenses and other assets	179,133	(153,330)
Accounts payable	(531,348)	(1,180,133)
Unearned revenue	(1,560,463)	1,067,788
Accrued compensation	(10,024)	51,921
Other liabilities	6,736	(27,155)
	(2,497,895)	1,828,879
Net cash and cash equivalents (used in) provided by operating activities		
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(199,575)	(789,991)
Proceeds from disposition of property and equipment	29,500	17,250
Purchases of intangible assets	(208,305)	(288,441)
	(378,380)	(1,061,182)
Net cash and cash equivalents used in investing activities		
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term debt	950,000	-
Proceeds from paycheck protection program loan	2,823,907	-
Payments on long-term debt	-	(189,723)
Payments on capital lease payable	(139,605)	(111,401)
	3,634,302	(301,124)
Net cash and cash equivalents provided by (used in) financing activities		
<b>Net Increase in Cash and Cash Equivalents</b>	758,027	466,573
<b>Cash and Cash Equivalents - Beginning of year</b>	6,416,728	5,950,155
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 7,174,755</b>	<b>\$ 6,416,728</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 40,868	\$ 47,270
<b>Significant Noncash Transactions</b>		
Acquisition of property and equipment included in accounts payable	\$ 15,000	\$ 28,303
Property and equipment acquired with capital leases	709,491	-

**Note 1 - Nature of Business**

Edison Welding Institute (EWI) is a tax-exempt entity located in Columbus, Ohio engaged in conducting scientific research and promoting educational activities in the fields of materials joining and allied technologies. EWI encourages the interaction of business, government, educational institutions, and research organizations to stimulate development, implementation, and transfer of advancements in the fields of materials joining and allied technologies. The Ohio State University (OSU), Battelle Memorial Institute, and The Welding Institute are the three founding members; however, the founding members are not active in the governance of EWI.

EWI owns the majority of the membership interest of its for-profit subsidiary, Fabrisonic, LLC (Fabrisonic), which is engaged in the development of technology and equipment for ultrasonic additive manufacturing of components, tooling, advanced alloys, and other products. EWI has a 60 percent membership interest in Fabrisonic. For the years ended June 30, 2020 and 2019, Fabrisonic had revenue and other support of approximately \$876,000 and \$938,000, respectively.

**Note 2 - Significant Accounting Policies**

***Principles of Consolidation***

The consolidated financial statements include the accounts of EWI and its majority-owned subsidiary, Fabrisonic. All material intercompany accounts and transactions have been eliminated in consolidation.

***COVID-19 Pandemic***

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventive or protective actions, such as temporary closures of nonessential businesses and shelter-at-home guidelines for individuals. As a result, the global economy has been negatively affected. EWI's operations have been impacted by the COVID-19 outbreak, with reductions in revenue in certain industries and segments. EWI has continued to meet the strict criteria by the Department of Defense and the Department of Homeland Security that mandates contractors must remain in operation so they can meet their obligations to the defense infrastructure. In addition to that, EWI also supports many companies that are deemed essential businesses. With EWI's credentials in place, EWI has not suffered production loss due to the shelter-in-place mandates. Most of EWI associates continue to work from home, and those who work in the building are to follow the CDC guidelines for distance and hygiene.

To offset the financial impact due to the disruption caused by COVID-19, EWI received a Paycheck Protection Program term note through a bank in the amount of \$2,823,907, as described further in Note 8. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Paycheck Protection Program.

The severity of the continued impact due to COVID-19 on EWI's financial condition, results of operations, or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on EWI's customers and grantors, all of which are uncertain and cannot be predicted.

***Noncontrolling Interests***

Noncontrolling interests represent the portion of the net assets in subsidiaries not attributable, directly or indirectly, to EWI. The change in net assets derived from the performance of the subsidiary that is not attributable, directly or indirectly, to EWI is allocated to noncontrolling interests. See Note 16 for allocation of noncontrolling interests.

**Note 2 - Significant Accounting Policies (Continued)**

The operating agreement for Fabrisonic stipulates that losses are to be allocated to members having positive capital account balances. As of June 30, 2019, the member with noncontrolling interest in Fabrisonic had a \$0 capital account balance, and, as such, losses were not allocated to the member and there was no balance in noncontrolling interest related to Fabrisonic as of June 30, 2019. During 2020, income was allocated to the member with noncontrolling interest.

***Classification of Net Assets***

Net assets of EWI are classified based on the presence or absence of grantor-imposed or 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 EWI.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of EWI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2019, there were no net assets with donor restrictions. As of June 30, 2020, there were net assets with donor restrictions related to an unconditional grant received from a grantor during the year.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***Use of Estimates***

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

EWI considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. EWI maintains its cash in demand deposit accounts. The balances, at times, may exceed federally insured limits. EWI continuously monitors its balances to minimize the risk of loss.

***Accounts Receivable***

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Unbilled receivables represent earned project revenue for which the projects have not yet met the contract billing requirements. EWI grants credit on open accounts to its customers and generally requires payment within 30 days from delivery or at specific milestone dates, as prescribed under the terms of its contract. EWI records an allowance for doubtful accounts for potentially uncollectible accounts. EWI estimates the allowance based on its analysis of funding appropriations versus performance under contract, customers' payment history, and other known factors concerning their current financial condition and ability to pay. The allowance for doubtful accounts was approximately \$76,000 and \$170,000 as of June 30, 2020 and 2019, respectively. After EWI has exhausted its collection efforts and determined that amounts are uncollectible at the individual invoice level, such amounts are charged against the allowance. Recoveries of accounts receivable previously written off are recorded when received.

**Note 2 - Significant Accounting Policies (Continued)**

***Inventory***

Inventory is stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out (FIFO) method. As of June 30, 2020, inventory consisted of work in progress machinery for one customer project.

***Property and Equipment***

Property and equipment are recorded at cost. Property and equipment under capital leases are stated at the present value of minimum lease payments. Repairs and maintenance are charged to operations when incurred, and additions and improvements greater than \$1,000 are capitalized.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of buildings is 39 years, while office furniture and equipment, machinery and equipment, and vehicles are 5 to 7 years. Property and equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

***Intangible Assets***

Intangible assets consist of various joining technology patents and licenses and are being amortized using the straight-line method over the life of the associated asset. Costs associated with obtaining a patent are capitalized when it becomes evident that the patent will be approved.

***Impairment of Assets***

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. During 2020 and 2019, an impairment test was performed on the carrying value of EWI's intangible assets. This resulted in a write-down of these assets of \$91,425 and \$175,201 for 2020 and 2019, respectively. The fair value was based on estimated future cash flows to be generated by the assets, discounted at a market rate of interest.

***Revenue Recognition***

EWI's research project revenue results from contract research and other services under a variety of contracts, some of which provide for reimbursement of cost plus fees and others of which are fixed-price or time and materials type contracts. EWI has contracts and grants with both commercial customers and government resource providers. EWI's commercial contracts are exchange transactions, and EWI's government contracts and grants are generally nonexchange transactions.

For contracts with commercial customers, EWI generally recognizes revenue when a contract has been executed, the contract price is fixed or determinable, delivery of the services or product has occurred, and collectibility of the contract price is considered probable. Commercial contracts are typically either fixed-price or time and materials type contracts. Under time and materials contracts, labor and related costs are reimbursed at negotiated, fixed hourly rates. Revenue on time and materials contracts is recognized at contractually billable rates as labor hours and direct expenses are incurred. The percentage of completion method is used to recognize revenue on fixed-price contracts based on various performance measures.

**Note 2 - Significant Accounting Policies (Continued)**

From time to time, facts develop that require EWI to revise its estimated total costs or revenue expectations. The cumulative effect of revised estimates on revenue recognized under the percentage of completion method is recorded in the period in which the facts requiring revisions become known. The full amounts of anticipated losses on any type of contract are recognized in the period in which they become known.

EWI recognizes revenue on unpriced change orders as expenses are incurred only to the extent EWI expects it is probable that such costs will be recovered. EWI recognizes revenue in excess of the costs on unpriced change orders only when management can also reliably estimate the amount of the excess and experience provides a sufficient basis for recognition. EWI recognizes revenue on claims as expenses are incurred only to the extent EWI expects it is probable such costs will be recovered and it can reliably estimate the amount of recovery.

Additionally, Fabrisonic has product sales with commercial customers. These consist of sales of machinery and other goods. Revenue is recorded for these sales when products are shipped or delivered to the customer.

EWI's government contracts and grants are generally considered to be nonexchange or contribution transactions. These contracts and grants can either be passed through another organization or direct with the federal, state, or local entity. Contracts and grants for research and other activities are recognized as the conditions of the grant have been met, which is typically when the qualifying costs are incurred. Grants and contributions that represent unconditional promises to give in the future are reported as revenue when received, measured at fair value. Contributions without grantor-imposed restrictions and contributions with grantor-imposed time or purpose restrictions that are met in the same period as the grant are both reported as unrestricted support. Other restricted grants are reported as restricted support and donor-restricted net assets. As of June 30, 2020, conditional contributions related to the grant awards were approximately \$9,076,000, for which barriers per the contract or grant agreement have not yet been overcome.

Contracts with agencies of the federal government are subject to periodic funding by the contracting agency concerned. Funding for a contract may be provided in full at inception of the contract or throughout the term of the contract as services are provided. Expenditures on federal government contracts and grants, including indirect costs, are subject to audit by the federal government and adjustment pursuant to negotiations between EWI and government representatives.

Membership income is recognized using the straight-line method over the term of the individual membership period. Unrecognized membership income received, but not yet earned, is included in unearned revenue.

***Lease Income***

EWI leases approximately 27 percent of its operating facility to OSU under an operating lease agreement that expired in March 2020 and was extended through March 2025. Monthly rent expense varies on a monthly basis based on a percentage of EWI's debt service and building operating costs.

**Note 2 - Significant Accounting Policies (Continued)**

***Income Taxes***

EWI is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). However, EWI is taxed on income that is not considered related to its exempt purpose and on the income of its for-profit subsidiary. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by EWI and recognize a tax liability if EWI has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by EWI and has concluded that, as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. EWI is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

***Concentrations of Credit Risk***

Financial instruments, which potentially subject EWI to a concentration of credit risk, principally consist of accounts receivable. EWI grants credit to its customers, which are varied in terms of size, geographic location, and financial strength. Customer balances are continually monitored to minimize the risk of loss. For the year ended June 30, 2020, two customers accounted for approximately 30 percent of total revenue from research and education activities, and six customers accounted for approximately 44 percent of the accounts receivable balance at June 30, 2020. For the year ended June 30, 2019, two customers accounted for approximately 23 percent of total revenue from research and education activities, and three customers accounted for approximately 29 percent of the accounts receivable balance at June 30, 2019.

***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in Note 18. 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. Certain personnel costs, occupancy, depreciation, lab and office supplies, professional services, and insurance costs are allocated based on full-time equivalencies by department. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

## Note 2 - Significant Accounting Policies (Continued)

### *Upcoming Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The provisions of this statement were originally effective for EWI's year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of ASU No. 2020-05, *Effective Dates for Certain Entities*. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. EWI plans to apply the standard using the modified retrospective method. EWI is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-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 operations. 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 operations and cash flows will be generally consistent with the current guidance. The provisions of this statement were originally effective for EWI's year ending June 30, 2022 but were extended to June 30, 2023 with the issuance of ASU No. 2020-05, *Effective Dates for Certain Entities*. The new standard 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. EWI is still evaluating which method it will apply. The new lease standard is expected to have an effect on EWI's financial statements as a result of EWI's operating leases, as disclosed in Note 11, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, EWI will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

### *Subsequent Events*

EWI has evaluated subsequent events for potential recognition and/or disclosure through December 18, 2020, the date the consolidated financial statements were available to be issued.

## Note 3 - Adoption of New Accounting Pronouncement

As of July 1, 2019, EWI adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. EWI adopted the new standard on a modified prospective basis, and it impacted the recognition of certain contribution and grant agreements. Government grants now meet the criteria of a nonreciprocal (contribution) transaction, typically with conditions to be met before revenue is recognized. The adoption of this standard did have a material impact on these financial statements.

**Notes to Consolidated Financial Statements**

**June 30, 2020 and 2019**

**Note 4 - Property and Equipment**

Property and equipment are summarized as follows:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 11,145,554	\$ 11,145,554
Building improvements	1,338,593	1,338,593
Machinery and equipment	15,985,578	15,083,522
Vehicles	13,550	13,550
Office furniture and equipment	3,918,193	3,833,118
Equipment not yet placed in service	<u>84,468</u>	<u>285,394</u>
Total cost	32,485,936	31,699,731
Accumulated depreciation	<u>22,057,260</u>	<u>20,350,396</u>
Net property and equipment	<u>\$ 10,428,676</u>	<u>\$ 11,349,335</u>

Depreciation expense for 2020 and 2019 was \$1,844,725 and \$1,775,627, respectively.

The building is located on land owned by OSU, which is leased by EWI for \$1 per year under an agreement that was set to expire on March 31, 2020 and was renewed through March 31, 2025. The agreement has renewal options for two additional five-year periods.

**Note 5 - Property and Equipment Funded by Grants**

EWI has received certain grant agreements that include funding for property and equipment additions. Revenue for these grants is either recognized upon receipt of the funds or over the life of the agreement based on the terms of the grant agreement.

EWI has received grants from the State of Colorado; the City of Loveland, Colorado; and the Colorado Advanced Manufacturing Alliance, Inc. in order to establish business operations in Loveland, Colorado. As part of the grants, EWI received approximately \$3,500,000 of funds to acquire equipment and leasehold improvements and approximately \$2,500,000 for other operating costs. These amounts are recognized as restricted revenue when received due to grantor restrictions on use of funds. As of July 1, 2018, all restricted revenue was recognized on these grants, and, as of June 30, 2019, all restrictions had been met.

EWI has received appropriations from the State of Ohio through OSU to invest in advanced sheet metal forming equipment and facilities. As part of this agreement, EWI will provide access to its staff and equipment for training OSU students, usage of tooling and equipment for demonstrations and research, promotion of collaborative forming activities, and direct financial contributions to OSU's Center for Precision Forming over a period of 20 years, commencing when the equipment is installed and ready for usage. Management has concluded to account for this grant as an exchange transaction. As part of this agreement, EWI will receive approximately \$1,500,000 of funds to acquire advanced sheet metal forming equipment and facilities in exchange for use of the equipment and certain services provided to OSU. During 2018, EWI acquired \$1,477,500 of property and equipment under this grant agreement. These amounts will be recognized as revenue over the term of the grant agreement. As of June 30, 2020 and 2019, unearned revenue related to this grant was \$1,263,171 and \$1,337,475, respectively, and is reported as long-term unearned revenue on the consolidated statement of financial position.

**Notes to Consolidated Financial Statements**

**June 30, 2020 and 2019**

**Note 6 - Intangible Assets**

Intangible assets of EWI at June 30, 2020 and 2019 are summarized as follows:

	2020		2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$ 1,834,579	\$ 817,146	\$ 1,749,900	\$ 731,130

Amortization expense for intangible assets totaled \$118,216 and \$116,793 for the years ended June 30, 2020 and 2019, respectively.

Estimated amortization expense for the years ending June 30 is as follows:

Years Ending	Amount
2021	\$ 102,793
2022	91,656
2023	87,107
2024	85,347
2025	81,674
Thereafter	568,856
Total	\$ 1,017,433

**Note 7 - Short-term Debt**

During the year ended June 30, 2020, EWI entered into a term loan with a bank that bears interest at the prime rate plus 2.25 percent (an effective rate of 5.50 percent at June 30, 2020). The term loan requires monthly payments of interest, with principal due at maturity. The note was scheduled to mature in September 2020 and was paid in full prior to maturity. The term loan is collateralized by substantially all assets of EWI. The balance of the term loan was \$950,000 as of June 30, 2020, presented as current on the consolidated statement of financial position.

Interest expense for 2020 and 2019 was \$40,868 and \$47,270, respectively.

**Note 8 - Paycheck Protection Program Loan**

During 2020, EWI received a Paycheck Protection Program (PPP) term note through a bank for \$2,823,907. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security Act. The note provides for loan forgiveness for a portion or all of the borrowed amount if EWI uses the loan proceeds for the permitted loan purpose described in the note agreement and maintains certain compensation and employment levels; the portion not forgiven will require EWI to pay back this amount in full by April 2022, with interest at a rate of 1 percent. Under the Paycheck Protection Flexibility Act of 2020, loan payments of principal and interest are deferred until one of the following: (1) the date that Small Business Administration remits the borrower's loan forgiveness amount to the lender or, (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. EWI has the right to prepay any amount outstanding at any time without penalty. The balance of the term note was \$2,823,907 as of June 30, 2020.

**Notes to Consolidated Financial Statements**

**June 30, 2020 and 2019**

**Note 9 - Research and Education Activities**

Revenue and other support from research and education activities from government and commercial clients is as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Government	\$ 13,710,899	\$ 12,299,280
Commercial	<u>15,884,355</u>	<u>17,856,217</u>
Total	<u>\$ 29,595,254</u>	<u>\$ 30,155,497</u>

At June 30, 2020 and 2019, EWI had accounts receivable (billed) balances related to research and education activities from government clients of \$849,015 and \$1,187,723, respectively, and commercial clients of \$1,848,547 and \$2,020,578, respectively.

**Note 10 - Capital Leases**

EWI leases equipment under long-term lease arrangements that are classified as capital leases. For financial statement purposes, the present values of the net minimum lease payments have been capitalized and are being amortized over the useful lives of the assets. Under the terms of the lease agreements, payments ranging from \$1,700 to \$9,996 are due monthly through June 2025. The leases have been imputed with interest at annual rates ranging from 5.11 percent to 6.68 percent. One of the capital leases matured in March 2018.

At June 30, 2020 and 2019, property under capital leases consists of property and equipment with a gross cost of \$1,439,819 and \$730,239, respectively. Accumulated depreciation on the property under capital leases was \$347,332 and \$199,356 at June 30, 2020 and 2019, respectively.

Depreciation expense on property under capital leases is included in the depreciation amount disclosed in Note 4.

The future minimum lease payments under capital leases are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2021	\$ 296,910
2022	293,519
2023	293,519
2024	182,094
2025	<u>103,074</u>
Total	1,169,116
Less amount representing interest	<u>124,201</u>
Present value of net minimum lease payments	1,044,915
Less current obligations	<u>245,986</u>
Long-term obligations under capital leases	<u>\$ 798,929</u>

**Notes to Consolidated Financial Statements**

**June 30, 2020 and 2019**

**Note 11 - Operating Leases**

EWI leases property and equipment under various noncancelable operating leases expiring at various dates through June 2023. Total rent expense under these leases were \$731,928 and \$260,866 for 2020 and 2019, respectively.

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

Years Ending June 30	Amount
2021	\$ 689,942
2022	567,612
2023	557,915
2024	555,359
2025	562,072
Total	<u>\$ 2,932,900</u>

**Note 12 - Employee Benefit Plan**

EWI sponsors a 401(k) plan that covers all eligible full-time employees. The plan provides for EWI to make a discretionary matching contribution on behalf of each eligible participant equal to 50 percent of the first 8 percent of compensation deferred by the participant to the plan. EWI contributes an additional safe harbor contribution to each participant's account equal to 3 percent of compensation. Contributions to the plan totaled \$836,894 and \$641,580 for the years ended June 30, 2020 and 2019, respectively.

**Note 13 - Contingencies**

The amount of U.S. government contract expense reflected in the consolidated financial statements attributable to cost reimbursement contracts is subject to audit and possible adjustment by the Defense Contract Audit Agency. EWI, as a not-for-profit organization receiving federal funds, is required to have an annual compliance audit in accordance with the provisions of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

EWI has certain pending legal proceedings that are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by EWI. In the opinion of management, the ultimate disposition of such proceedings is not expected to have a material adverse effect on EWI's consolidated financial position, results of operations, or cash flows.

**Notes to Consolidated Financial Statements**

**June 30, 2020 and 2019**

**Note 14 - Related Party**

During 2014, EWI cofounded the American Lightweight Materials Manufacturing Innovation Institute (ALMMII) dba LIFT with two other unrelated parties as corporate members. ALMMII is a related party of EWI due to being one of three corporate members and having a voting membership on the board of directors of ALMMII. EWI had accounts receivable from ALMMII totaling \$11,532 and \$627,483 at June 30, 2020 and 2019, respectively, and earned revenue from ALMMII totaling \$512,891 and \$1,688,598 for the years ended June 30, 2020 and 2019, respectively.

**Note 15 - Income Taxes**

The components of the income tax expense included in the consolidated statement of activities and changes in net assets are all attributable to continuing operations and are detailed as follows:

	2020	2019
Deferred income tax expense	\$ 81,000	\$ 78,000
Current income tax expense (recovery)	84,684	(20,077)
Total income tax expense	<u>\$ 165,684</u>	<u>\$ 57,923</u>

A reconciliation of the provision for income taxes to income taxes computed by applying the statutory United States federal rate to taxable income before taxes is as follows:

	2020	2019
Income tax recovery on unrelated business income	\$ (477,949)	\$ (269,077)
Income tax expense for Fabrisonic	467,974	78,000
Change in valuation allowance	231,000	249,000
Other	(55,341)	-
Total income tax expense	<u>\$ 165,684</u>	<u>\$ 57,923</u>

The details of the net deferred tax asset are as follows:

	2020	2019
Total deferred tax assets	\$ 997,000	\$ 847,000
Valuation allowance recognized for deferred tax assets	(804,000)	(573,000)
Net deferred tax asset	<u>\$ 193,000</u>	<u>\$ 274,000</u>

Realization of deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. EWI has net operating loss carryforwards available to reduce future income taxes. Net operating loss generated for 2018 and prior expire in 2037 through 2038, and net operating losses generated in 2019 and forward do not expire. Due to uncertainty as to the realization of net operating loss carryforwards, a valuation allowance has been recorded against the related deferred tax asset representing the amount of the net operating loss carryforward that is unlikely to be used. The amount of the net deferred tax asset is considered realizable; however, it could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

**Notes to Consolidated Financial Statements**

**June 30, 2020 and 2019**

**Note 16 - Changes in Consolidated Net Assets without Donor Restrictions  
Attributable to the Controlling Interest and Noncontrolling Interest**

For the year ended June 30, 2020, changes in consolidated net assets without donor restrictions attributable to controlling and noncontrolling interest was as follows:

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Net assets - Beginning of year	\$ 14,011,145	\$ -	\$ 14,011,145
Changes in net assets	<u>(996,325)</u>	<u>307,366</u>	<u>(688,959)</u>
Net assets - End of year	<u>\$ 13,014,820</u>	<u>\$ 307,366</u>	<u>\$ 13,322,186</u>

**Note 17 - Liquidity and Availability of Resources**

EWI's financial assets available within one year of June 30 for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,174,755	\$ 6,416,728
Accounts receivable	<u>5,923,294</u>	<u>5,677,241</u>
Total	<u>\$ 13,098,049</u>	<u>\$ 12,093,969</u>

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 consolidated statement of financial position date.

EWI has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to pay for general expenditures, liabilities, and other obligations that come due.

EWI also realizes there could be unanticipated liquidity needs.

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**Note 18 - Functional Expenses**

For the year ended June 30, 2020, expenses are functionally allocated as follows:

	Cost of Research and Education Activities	General and Administrative	Total
Personnel costs	\$ 16,160,910	\$ 2,269,458	\$ 18,430,368
Depreciation and amortization	1,920,315	42,627	1,962,942
Lab and office supplies	1,343,276	197,250	1,540,526
Miscellaneous	292,691	19,411	312,102
Occupancy	1,401,577	110,811	1,512,388
Project services and materials	4,635,700	-	4,635,700
Professional services	1,855,781	293,973	2,149,754
Travel	536,769	64,122	600,891
Marketing	548,990	-	548,990
Advertising	-	171,375	171,375
Insurance	247,901	61,435	309,336
	<u>\$ 28,943,910</u>	<u>\$ 3,230,462</u>	<u>\$ 32,174,372</u>

For the year ended June 30, 2019, expenses are functionally allocated as follows:

	Cost of Research and Education Activities	General and Administrative	Total
Personnel costs	\$ 16,857,927	\$ 2,434,820	\$ 19,292,747
Depreciation and amortization	1,847,955	44,465	1,892,420
Lab and office supplies	1,318,090	180,858	1,498,948
Miscellaneous	440,935	62,118	503,053
Occupancy	1,039,429	86,838	1,126,267
Project services and materials	4,916,299	-	4,916,299
Professional services	1,683,608	260,721	1,944,329
Travel	676,626	70,924	747,550
Marketing	407,792	-	407,792
Advertising	-	245,427	245,427
Insurance	249,114	43,031	292,145
	<u>\$ 29,437,775</u>	<u>\$ 3,429,202</u>	<u>\$ 32,866,977</u>

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# Edison Welding Institute

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**Federal Awards Supplemental Information  
June 30, 2020**

**Independent Auditor's Reports**

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Directors  
Edison Welding Institute

We have audited the consolidated financial statements of Edison Welding Institute as of and for the year ended June 30, 2020 and have issued our report thereon dated December 18, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to December 18, 2020.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required 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 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Plante & Moran, PLLC*

February 1, 2021

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Board of Directors  
Edison Welding Institute

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Edison Welding Institute (EWI), which comprise the consolidated statement of financial position as of June 30, 2020 and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated December 18, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered EWI'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 EWI's internal control. Accordingly, we do not express an opinion on the effectiveness of EWI'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 EWI'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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether EWI's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors  
Edison Welding Institute

**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 EWI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EWI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moreau, PLLC*

December 18, 2020

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required  
by the Uniform Guidance

**Independent Auditor's Report**

To the Board of Directors  
Edison Welding Institute

**Report on Compliance for Each Major Federal Program**

We have audited Edison Welding Institute's (EWI) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on EWI's major federal program for the year ended June 30, 2020. EWI's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of EWI's major federal programs based on our audit of the types of compliance requirements referred to above.

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* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about EWI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of EWI's compliance.

***Opinion on Each Major Federal Program***

In our opinion, EWI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

**Report on Internal Control Over Compliance**

Management of EWI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered EWI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of EWI's internal control over compliance.

To the Board of Directors  
Edison Welding Institute

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Plante & Moran, PLLC*

February 1, 2021

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2020**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Number/Pass- through Entity Identifying Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
<b>Research and Development Cluster</b>				
<b>Department of Defense</b>				
Direct Awards:				
Basic Scientific Research	12.431	DAAD19-03-2-0002	\$ -	\$ 24,215
Basic Scientific Research	12.431	W911NF-13-2-0038	-	43,848
Air Force Defense Research Sciences Program	12.800	W911NF-13-2-0038	-	6,363
Air Force Defense Research Sciences Program	12.800	PO20190073/Prime FA8650-16-2-5700	-	170,876
National Shipbuilding Research Program	12.RD	Subcontract #2019-375	-	78,558
Passed through Advanced Technology Institute:				
Basic and Applied Scientific Research	12.300	Subcontract #2015-451 Order 5	-	338,349
Basic and Applied Scientific Research	12.300	CNST 2012-419 Order 12	-	298,239
Basic and Applied Scientific Research	12.300	Subcontract #2015-451 Order 6	-	150,078
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	157,931
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	183,043
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	118,515
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	174,182
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	148,443
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	159
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	718,211
Basic and Applied Scientific Research	12.300	Subcontract #2019-375	-	118,781
Basic and Applied Scientific Research	12.300	Subcontract #2019-375	-	136,937
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	134,554
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	164,536
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	404
Basic and Applied Scientific Research	12.300	Agreement #015-451 T007	-	74,204
Basic and Applied Scientific Research	12.300	Subcontract #2017-507	-	189,085
Basic and Applied Scientific Research	12.300	Subcontract #2019-375	-	287,636
Basic and Applied Scientific Research	12.300	Subcontract #2019-375	-	723,611
Basic and Applied Scientific Research	12.300	Subcontract #2019-375	-	24,152
Total passed through Advanced Technology Institute			-	4,141,050
Passed through America Makes -				
Air Force Defense Research Sciences Program	12.800	FA8650-16-2-5700 Prime	-	112,720
Passed through American Lightweight Materials Manufacturing Innovation Institute:				
Basic, Applied, and Advanced Research in Science and Engineering; Science, Technology, Engineering	12.630	Subaward #0004F-7	-	41,173
Basic, Applied, and Advanced Research in Science and Engineering; Science, Technology, Engineering	12.630	PO #0075	-	(28,049)
Basic, Applied, and Advanced Research in Science and Engineering; Science, Technology, Engineering	12.630	Subaward #TMP R3-3	-	14,477
Basic, Applied, and Advanced Research in Science and Engineering; Science, Technology, Engineering	12.630	LIFT PO 0074	-	123,707
Basic, Applied, and Advanced Research in Science and Engineering; Science, Technology, Engineering	12.630	PO #40047-02	-	61,422
Basic, Applied, and Advanced Research in Science and Engineering; Science, Technology, Engineering	12.630	A019-01	-	85,001
Basic, Applied, and Advanced Research in Science and Engineering; Science, Technology, Engineering	12.630	Subaward #A020-01; Coop Agreement #N00014-14-2-002	-	95,159
Basic, Applied, and Advanced Research in Science and Engineering; Science, Technology, Engineering	12.630	A021-01	-	120,000
Total passed through American Lightweight Materials Manufacturing Innovation Institute			-	512,890

See notes to schedule of expenditures of federal awards.

# Edison Welding Institute

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Number/Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
Passed through Flightware - Design, Develop, and Demonstrate Integrated Area Profilometer (IAP) Sensor System	12.RD	PO # 06219EW	\$ -	\$ 151,979
Passed through GE Global Research - Air Force Defense Research Sciences Program	12.800	GE Sub 20182090	-	247,992
Passed through GKN Plc. - Air Force Defense Research Sciences Program	12.800	POSA143678	-	225,735
Passed through Luna Innovations Incorporated - Standardized Additive Manufacturing	12.RD	360002EWI/SP4701-19-C-0056	-	80,268
Passed through National Institution for Aviation Research - Air Force Defense Research Sciences Program	12.800	WSU#20-00253/Prime FA8650-16-2-5700	-	84,621
Passed through OPEX Solutions - Standardized Additive Manufacturing	12.RD	PO8507280330	-	3,036
Passed through Robotic Technologies of Tennessee - National Shipbuilding Research Program	12.RD	#2020-303	-	3,161
Passed through UES, Inc. - Air Force Defense Research Sciences Program	12.800	Prime Contract # FA8650-15-D-5230, TO-0001	-	4,947
Total Department of Defense			-	5,892,259
<b>Department of Energy</b>				
Passed through Knolls Atomic Power Laboratory: Nuclear Energy Research, Development and Demonstration	81.121	Master Agreement No 125025	-	103,159
Nuclear Energy Research, Development and Demonstration	81.121	Master Agreement No 125025	-	35,625
Nuclear Energy Research, Development and Demonstration	81.121	Master Agreement No 125025	-	41,415
Total passed through Knolls Atomic Power Laboratory			-	180,199
Passed through Los Alamos National Laboratory - Los Alamos National Laboratory - Fire Protection	81.140	89233218CNA00001	-	40,656
Passed through Oak Ridge National Laboratory - Welding Process Review	81.RD	PO # 4000169045	-	(2,321)
Passed through Princeton Plasma Physics Lab - National Spherical Torus Experiment Upgrade	81.RD	Princeton Subcon S016597-K	-	15,706
Passed through USCAR - Conservation Research and Development	81.086	PO # 19-3026-AMP	-	56,029
Total Department of Energy			-	290,269

See notes to schedule of expenditures of federal awards.

## Edison Welding Institute

# Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Number/Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
<b>Department of Transportation</b>				
Direct Awards:				
Railroad Research and Development	20.313	DTFR5316C00002	\$ -	\$ 94,492
National Spherical Torus Experiment Upgrade	20.RD	693JJ619C000015	-	65,781
Total Department of Transportation			-	160,273
<b>National Aeronautics and Space Administration</b>				
Passed through TGV Rockets -				
SBIR for Ultrasonic Additive Manufacturing	43.RD	80NSSC18P2151	-	19,370
Total Research and Development Cluster and Total Federal Expenditures			-	<u>\$ 6,362,171</u>

See notes to schedule of expenditures  
of federal awards.

**Notes to Schedule of Expenditures of Federal Awards**

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**Year Ended June 30, 2020**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Edison Welding Institute (EWI) under programs of the federal government for the year ended June 30, 2020. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of EWI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of EWI.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

EWI has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2020**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  None reported

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings**

None



**Edison Welding Institute, Inc.**  
**January 15, 2021**  
**Summary Schedule of Prior Audit Findings**

**Prior Year Finding Number:**

2019-001

**Fiscal Year in Which the Finding Initially Occurred:**

Year ended June 30, 2019

**CFDA Number, Federal Agency, and Program Name:**

CFDA No. 12.800, Department of Defense, Air Force Defense Research Sciences Program

**Original Finding Description:**

Edison Welding Institute, Inc. (EWI) assigned costs to a federal award that were not an allowable activity in accordance with the award agreement. These costs assigned were for a fee, a profit rate that EWI is able to assign to various federal awards.

**Status/Partial Corrective Action (as applicable):**

Fully corrected

**Planned Corrective Action:**

N/A



*We Manufacture Innovation*

**Prior Year Finding Number:**

2019-002

**Fiscal Year in Which the Finding Initially Occurred:**

Year ended June 30, 2019

**CFDA Number, Federal Agency, and Program Name:**

Research and Development Cluster; Department of Defense, Department of Transportation, National Aeronautics and Space Administration, Nuclear Regulatory Commission; various programs

**Original Finding Description:**

Edison Welding Institute, Inc. did not request provisional indirect cost rate approval for the year ended June 30, 2019 from its cognizant agency (Department of Defense) but used a previously approved rate for the year ended June 30, 2018.

**Status/Partial Corrective Action (as applicable):**

Fully corrected

**Planned Corrective Action:**

N/A