

Financial Statements
with Report of Independent Auditors
and Reports on Federal Award Programs in Accordance with
*Government Auditing Standards and Uniform Administrative
Requirements, Cost Principles, and Audit Requirements for
Federal Awards (Uniform Guidance)* in a single audit

International Computer Science Institute

December 31, 2023 and 2022

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees,
International Computer Science Institute
Berkeley, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of International Computer Science Institute (“the Institute”) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Computer Science Institute as of December 31, 2023 and 2022, 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.

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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the International Computer Science Institute 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.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the value of the shares in private companies, that are not readily marketable, is based on estimated fair value. In estimating fair values, the Institute uses valuation methods, assumptions, and models that consider, among other factors, the value of the underlying stock, strike price, risk-free interest rate, volatility, and expected life. The estimated fair value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for the shares existed. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

REPORT OF INDEPENDENT AUDITORS – Continued

Responsibilities of Management for the Financial Statements - continued

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 the International Computer Science Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the International Computer Science Institute's ability to continue as a going concern for a reasonable period of time.

REPORT OF INDEPENDENT AUDITORS - Continued

Auditors' Responsibilities for the Audit of the Financial Statements - continued

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 October 25, 2024 on our consideration of the International Computer Science Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the International Computer Science Institute'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 the International Computer Science Institute's internal control over financial reporting and compliance.

SD Mayer & Associates, LLP

SD Mayer & Associates, LLP

San Francisco, CA
October 25, 2024

INTERNATIONAL COMPUTER SCIENCE INSTITUTE
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 2,027,103	\$ 3,386,842
Grants and contracts receivable, net	1,363,346	1,504,759
Investments, at fair value	995,969	901,663
Prepaid expenses	69,230	2,579
Other Receivables	14,406	--
	4,470,054	5,795,843
Total Current Assets		
Non-Current Assets:		
Property and equipment, net	523,031	392,479
Investments, at fair value	8,549,782	8,285,901
Right of use asset - operating lease	266,889	442,902
Deposits and other assets	114,366	114,366
	9,454,068	9,235,648
Total Non-Current Assets		
Total Assets	\$ 13,924,122	\$ 15,031,491
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and other liabilities	\$ 243,380	\$ 143,809
Accrued payroll and other expenses	359,802	406,748
Lease liability, short-term	183,916	173,563
	787,098	724,120
Total Current Liabilities		
Long-Term Liabilities:		
Lease Liabilities, long-term	97,194	281,110
	884,292	1,005,230
Total Liabilities		
Net Assets:		
Without donor restrictions	12,725,097	13,516,658
With donor restrictions	314,733	509,603
	13,039,830	14,026,261
Total Net Assets		
Total Liabilities and Net Assets	\$ 13,924,122	\$ 15,031,491

The accompanying notes are an integral part of these financial statements

INTERNATIONAL COMPUTER SCIENCE INSTITUTE
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:						
Research grants and contracts	\$ 3,663,474	\$ --	\$ 3,663,474	\$ 4,953,248	\$ --	\$ 4,953,248
Patent license fees	--	--	--	100,000	--	100,000
Contributions	--	--	--	150,000	--	150,000
Unrealized and realized gain (loss) on investments	340,964	--	340,964	1,409,003	--	1,409,003
Interest and dividends	30,077	--	30,077	24,712	--	24,712
Other revenue	100	--	100	13,389	--	13,389
Net assets released from restrictions	194,870	(194,870)	--	24,027	(24,027)	--
Total Revenues and Support	4,229,485	(194,870)	4,034,615	6,674,379	(24,027)	6,650,352
Expenses:						
Research programs	3,756,667	--	3,756,667	5,197,753	--	5,197,753
Management and general	1,264,379	--	1,264,379	164,377	--	164,377
Total Expenses	5,021,046	--	5,021,046	5,362,130	--	5,362,130
Changes in Net Assets before impairment loss	(791,561)	(194,870)	(986,431)	1,312,249	(24,027)	1,288,222
Impairment loss in investments	--	--	--	(750,000)	--	(750,000)
Changes in Net Assets	(791,561)	(194,870)	(986,431)	562,249	(24,027)	538,222
Net Assets at beginning of year	13,516,658	509,603	14,026,261	12,954,409	533,630	13,488,039
Net Assets at end of year	\$ 12,725,097	\$ 314,733	\$ 13,039,830	\$ 13,516,658	\$ 509,603	\$ 14,026,261

The accompanying notes are an integral part of these financial statements

INTERNATIONAL COMPUTER SCIENCE INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2023 and 2022

	2023			2022		
	Research Programs	Management and General	Total	Research Programs	Management and General	Total
Personnel Expenses:						
Research Salaries	\$ 988,838	\$ --	\$ 988,838	\$ 960,587	\$ 769	\$ 961,356
Other Salaries	413,165	1,023,037	1,436,202	877,314	818,125	1,695,439
Payroll Taxes	103,331	77,795	181,126	119,955	67,095	187,050
Employee Benefits	350,963	487,809	838,772	325,825	375,244	701,069
Total Personnel Expenses	1,856,297	1,588,641	3,444,938	2,283,681	1,261,233	3,544,914
Professional Services	149,610	311,536	461,146	333,461	174,172	507,633
Legal and Accounting Fees	10,000	299,226	309,226	7,157	214,639	221,796
Grants to subrecipient-contractors	12,574	--	12,574	242,274	--	242,274
Travel Expense	82,521	50,727	133,248	38,556	7,667	46,223
Facilities Expenses	11	230,405	230,416	200	224,602	224,802
Depreciation	--	170,756	170,756	--	91,443	91,443
Information Technology	5,510	77,675	83,185	3,452	73,998	77,450
Participant Support	--	--	--	11,758	--	11,758
Business Expenses	7,602	49,901	57,503	960	68,917	69,877
Bad Debt Allowance	--	52,152	52,152	--	32,330	32,330
Other Expenses	38,895	27,007	65,902	270,054	21,576	291,630
Indirect Cost Allocation	1,593,647	(1,593,647)	--	2,006,200	(2,006,200)	--
Total Expenses	<u>\$ 3,756,667</u>	<u>\$ 1,264,379</u>	<u>\$ 5,021,046</u>	<u>\$ 5,197,753</u>	<u>\$ 164,377</u>	<u>\$ 5,362,130</u>

The accompanying notes are an integral part of these financial statements

INTERNATIONAL COMPUTER SCIENCE INSTITUTE
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (986,431)	\$ 538,222
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	170,756	91,443
Provision for bad debts	52,152	32,330
Impairment loss	--	750,000
Realized and unrealized gains on investments	(340,964)	(1,409,003)
(Increase) decrease in operating assets:		
Grants and contracts receivable	89,261	(236,429)
Other receivables	(14,406)	3,427
Prepaid expenses	(66,651)	629
Right of use asset - operating lease	176,013	(442,902)
Deposits and other assets	--	34,212
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	99,571	(113,571)
Accrued payroll and other expenses	(46,946)	(47,904)
Grant and contract advances	--	(2,491)
Lease liability	(173,563)	454,673
Net cash used in operating activities	(1,041,208)	(347,364)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(301,308)	(268,926)
Purchases of investments	(432,822)	(283,738)
Proceeds from sale of investments	415,599	2,268,587
Net cash (used in) provided by investing activities	(318,531)	1,715,923
Net (decrease) increase in cash and cash equivalents	(1,359,739)	1,368,559
Cash and cash equivalents at beginning of year	3,386,842	2,018,283
Cash and cash equivalents at end of year	\$ 2,027,103	\$ 3,386,842
Supplemental disclosures of cash flow information:		
Recognition of a right-of-use asset and a corresponding lease liability	\$ --	\$ 618,390

The accompanying notes are an integral part of these financial statements

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

1. Organization:

International Computer Science Institute (the Institute) was incorporated as a California non-profit corporation on July 9, 1986. Its purpose is the invigoration and enrichment of research in the computer sciences. The Institute brings some of the world's foremost computer scientists together for periods from several weeks to several years for research and scholarship. Support consists primarily of grants and contracts with certain United States agencies and other organizations.

Research program expenses include all the direct expenses of conducting basic computer science research as approved by the funding agency. Significant expenses include payroll and related costs, sub-awards, and travel and professional fees.

2. Basis of Presentation and Significant Accounting Policies:

Basis of Accounting:

The Institute's financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions— Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions— Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Institute. Certain restrictions may need to be maintained in perpetuity.

Contributions and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income and gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions and investment gains and losses which are received and expended in the same fiscal year are classified within net assets without donor restrictions.

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of Presentation and Significant Accounting Policies, continued:

Property and Equipment, Net:

Property and Equipment in excess of \$3,000 and with an estimated useful life in excess of one year are capitalized at cost. Donated assets are capitalized at the fair value at date of receipt. Contract property and equipment purchased for specific projects, amounting to \$16,991 in 2023 and \$8,781 in 2022, is expensed when purchased as a reimbursable expense. Depreciation and amortization on capitalized property and equipment is computed using the straight-line method with estimated useful lives varying between three to eight years or, in the case of leasehold improvements, over the life of the lease if shorter.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with initial purchased maturities of less than ninety days.

Functional Allocation of Expenses:

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute. The Institute had no fundraising activities in 2023 and 2022.

Indirect cost allocation:

Indirect cost recovery allocation is based on negotiated indirect cost rate and is charged to different research and development programs.

Grants and Contracts receivable:

Grants and contracts receivable represent unreimbursed expenditures incurred under the terms of the contact or grant awards.

Revenue Recognition:

Research revenue is derived from contracts and grants and is recognized upon the incurrence of allowable qualifying expenditures of related projects or when the conditions are met. Amounts received prior to incurring qualifying expenditures or prior to conditions being met are reported as grant and contract advances in the statements of financial position. There were no contract assets or liabilities at December 31, 2023 and 2022. There were no contract assets or liabilities at January 1, 2023 and 2022.

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of Presentation and Significant Accounting Policies, continued:

Unconditional contributions are recognized as revenue in the period received and are reported as increases in the appropriate categories of net assets. Contributions that include a measurable barrier or those for which the Institute has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is when conditions surrounding the indications of the barrier have been met.

Fair Value of Financial Instruments:

The Institute's financial instruments consist principally of cash and cash equivalents, grants and contracts receivable, investments, and accounts payable. The Institute believes all of the financial instruments' recorded values approximate current fair value. The fair value of Institute's financial instruments reflects the amount that the Institute estimates to receive in connection with the sale of an asset or paid in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). The Institute has adopted a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1– valuation inputs are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Bonds and equity mutual funds are listed under this level.

Level 2– valuation inputs are obtained from readily-available pricing sources for comparable instruments. The Institute had no investments under this level.

Level 3– valuation inputs are obtained without observable market value and require a high level of judgment to determine the fair value. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs. Shares in private companies are listed under this level.

Fair Value of Financial Instruments (continued):

Much of the disclosure is focused on the inputs used to measure fair value, particularly in instances where the measurement uses significant unobservable (Level 3) inputs. The Institute uses valuation methods and assumptions that consider, among other factors, the value of the underlying stock, strike price, risk-free interest rate, volatility, and expected life in estimating fair value.

As of December 31, 2023 and 2022, the Institute evaluated the fair value of its investments on a recurring basis. The Institute did not have any transfers between Level 1, Level 2, or Level 3 during the year ended December 31, 2023 and 2022.

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

2. Basis of Presentation and Significant Accounting Policies, continued:

Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates include the depreciable lives of long lived assets, fair value of investments, allowance for uncollectible amounts, accrued liabilities and the allocation of functional expenses. Accordingly, actual results could differ from those estimates.

Advertising Costs

The Institute expenses advertising costs as they are incurred. Advertising costs amounted to \$5,108 in 2023 and \$9,022 in 2022.

Allowance for Credit Losses

Grants and contracts receivable are measured at amortized cost, net of an allowance for credit losses. The Institute estimates the allowance for credit losses based on a current expected credit loss (CECL) model, which considers both historical loss experience and current conditions, as well as reasonable and supportable forecasts of future economic conditions that could impact the collectability of receivables.

The Institute evaluates the aging of receivables and applies a loss rate based on these factors. For receivables outstanding for more than 120 days, the Institute applies a loss rate of 50%, unless specific circumstances suggest a higher or lower rate is warranted. The allowance for credit losses was \$93,165 and \$41,013 at December 31, 2023 and 2022, respectively. Grants and contracts receivable, net of the allowance for credit losses, amounted to \$1,363,346, \$1,504,759, and \$1,300,660 as of December 31, 2023, 2022, and 2021, respectively. Management continually evaluates the adequacy of the allowance and believes that the current allowance appropriately reflects the expected risk of credit losses.

Leases

A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset.

A lease is classified as an operating lease if it does not meet any one of these criteria. The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate for the same term as the underlying lease.

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

2. **Basis of Presentation and Significant Accounting Policies**, continued:

Leases, continued

For its operating lease, the Institute has made an accounting policy to use a risk-free rate, in lieu of its incremental borrowing rate to discount the future lease payments. Lease expense for operating leases consists of the lease payments plus any initial direct costs and is recognized on a straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the right-of-use asset on a straight-line basis over the lease term and interest expense determined on an amortized cost basis.

The Institute elected the practical expedient to account for lease components and non-lease components as a single lease component. The Institute is currently not party to any finance leases. The Institute does not record leases in the statement of financial position that are classified as short term (less than one year). Short-term lease cost for operating leases with a term of less than 12 months are included in rent expense.

Recent Accounting Pronouncements

In November 2019, the FASB issued ASU 2019-10, Financial Instruments – Credit Losses (Topic 326), Targeted Transition Relief, which amends the transition guidance for ASU 2016-13. The ASU provides entities with the option to irrevocably elect the fair value option in Subtopic 825-10 on an instrument-by-instrument basis. This standard is effective for years beginning after December 15, 2022, with early adoption permitted. The Institute adopted ASU 2019-10 effective January 1, 2023, with no material impact on the financial statements and related disclosures.

3. **Liquidity and Availability of Resources:**

As of December 31, 2023 and 2022, the Institute had \$4,386,418 and \$5,793,264, respectively, of financial assets available within one year from the statement of financial position date to meet cash needs for general expenditures. These amounts consist primarily of cash and cash equivalents of \$2,027,103 and \$3,386,842, grants and contracts receivable of \$1,363,346 and \$1,504,759, and short-term investments of \$995,969 and \$901,663, respectively. Net assets subject to donor restrictions, making them unavailable for general expenditures within one year, were \$314,733 in 2023 and \$509,603 in 2022.

The Institute aims to maintain financial assets, primarily cash and short-term investments, to cover its immediate needs and structures them to be available as general expenditures, liabilities, and other obligations become due.

4. **Concentrations:**

The Institute maintains its cash balances at Wells Fargo Bank. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. The Institute had uninsured cash balances in the amount of \$1,547,490 and \$2,919,908 at December 31, 2023 and 2022, respectively.

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

4. Concentrations, continued:

Three grantors accounted for 45% and 60% of total receivables in 2023 and 2022, respectively. The source of the Institute's research grant revenue is primarily from one grantor. Approximately 38% and 27% of the Institute's total research grant revenue was provided by the National Science Foundation for the year ended December 31, 2023 and 2022, respectively. Approximately 38% and 13% of the Institute's total research grant revenue was provided by Army Research Office.

5. Contingencies:

The Institute is engaged in providing research to the federal government and is subject to the peculiar risks associated with doing business with the government. The Institute is also subject to audit by various federal governmental agencies including, among others, the Defense Contract Audit Agency, and such audits may result in changes to the amounts that the Institute has billed for this research. Any such changes are not expected to have a material effect on the Institute's financial position or on its changes in net assets.

6. Investments:

Investments are reported at fair value. As of December 31, 2023 and 2022, the investments were comprised of the following:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Shares in private companies	\$ 65,974	\$ 8,549,782	\$ 65,974	\$ 8,285,901
Stock, options and ETFs	923,392	958,745	777,815	869,940
Cash	37,224	37,224	31,723	31,723
Total	<u>\$ 1,026,590</u>	<u>\$ 9,545,751</u>	<u>\$ 875,512</u>	<u>\$ 9,187,564</u>

The Institute's investments in private companies, which are not readily marketable, are recorded at estimated fair value. Fair value is determined using valuation methods and models that consider factors such as the underlying stock value, strike price, risk-free interest rate, volatility, and expected life. These estimates are subject to uncertainty and may differ from values in an active market. On March 17, 2020, the Institute entered into a Simple Agreement for Future Equity (SAFE) with a private company for \$750,000. On April 19, 2021, the Institute secured the option to transfer this investment to a third party for the same amount. In the year ended December 31, 2022, management performed a qualitative assessment and recorded a \$750,000 impairment loss due to the inability to reliably determine the investment's value.

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

6. Investments, continued:

The following table includes details on interest and dividends, realized and unrealized gains (losses), and impairment losses on the investments during the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 30,077	\$ 24,712
Unrealized gain (loss)	340,964	456,429
Realized gain (loss)	--	952,574
Impairment loss	--	(750,000)
 Total	 <u>\$ 371,041</u>	 <u>\$ 683,715</u>

7. Fair Value of Investments:

The following table sets forth the Institute's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Shares in private companies	\$ --	\$ --	\$ 8,549,782	\$ 8,549,782
Cash equivalents	37,224	--	--	37,224
Stock, options and ETFs	958,745	--	--	958,745
 Total	 <u>\$ 995,969</u>	 <u>\$ --</u>	 <u>\$ 8,549,782</u>	 <u>\$ 9,545,751</u>
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Shares in private companies	\$ --	\$ --	\$ 8,285,901	\$ 8,285,901
Cash	31,723	--	--	31,723
Stock, options and ETFs	869,940	--	--	869,940
 Total	 <u>\$ 901,663</u>	 <u>\$ --</u>	 <u>\$ 8,285,901</u>	 <u>\$ 9,187,564</u>

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

7. Fair Value of Investments, continued:

The following table sets forth the changes in fair value of the Institute's investments measured using significant unobservable inputs (Level 3):

	<u>2023</u>	<u>2022</u>
Balance at January 1,	\$ 8,285,901	\$ 9,450,003
Unrealized gain (loss)	263,881	(414,102)
Impairment loss	--	(750,000)
Balance at December 31,	<u>\$ 8,549,782</u>	<u>\$ 8,285,901</u>

For Level 3 securities which represent investments in private companies, the Institute estimates the fair values of the securities using (a) unobservable inputs such as the financial statements and other data specific to the private companies, (b) methods such as cash flow discounts or other similar methods, and (c) certain assumptions and estimation methodologies. The institute also uses the most recent transfer price paid for the private company's shares. If there are any changes in valuation, the Institute includes the unrealized gain or loss in its statements of activities and a change to the investments' value in the statements of financial position.

On June 23, 2022, the Institute sold part of its holdings in a privately held company for \$1,999,993.

8. License Agreements:

The Institute periodically enters into non-exclusive licensing agreements for its technology. No value related to these agreements is recorded on the statements of financial position as of December 31, 2023 and 2022. License fees earned and received for the years ended December 31, 2023 and 2022 were \$0 and \$100,000, respectively.

9. Property and Equipment, Net:

Property and equipment is summarized as follows at December 31:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 720,198	\$ 523,146
Furniture and fixtures	129,339	60,539
Leasehold improvements	322,520	292,454
	<u>1,172,057</u>	<u>876,139</u>
Less accumulated depreciation and amortization	<u>(649,026)</u>	<u>(483,660)</u>
Total property and equipment, net	<u>\$ 523,031</u>	<u>\$ 392,479</u>

Depreciation expense amounted to \$170,756 and \$91,443 for the years ended December 31, 2023, and 2022, respectively.

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

10. Leases:

On November 23, 2021, the Institute amended its lease for new office space in Berkeley, California. The lease commenced on January 15, 2022, and expires on June 30, 2025. Monthly base rent starts at \$14,028 in the first year, increasing by approximately 5% annually for the remaining lease term.

Additional information on the statement of financial position related to the operating leases which existed as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease right of use asset	<u>\$ 266,889</u>	<u>\$ 442,902</u>
Lease liability, short-term	<u>\$ 183,916</u>	<u>\$ 173,563</u>
Lease liability, long-term	<u>\$ 97,194</u>	<u>\$ 281,110</u>

The following summarizes the weighted average remaining lease term and discount rate for all operating leases as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term (in years)	<u>1.42</u>	<u>2.42</u>
Weighted average risk-free discount rate	<u>0.85%</u>	<u>0.85%</u>

Rent expense was \$173,114 and \$144,764 for the years ended December 31, 2023 and 2022, respectively.

The maturities of operating lease liabilities as of December 31, 2023 are as follows:

	<u>2023</u>
December 31, 2024	\$ 185,590
December 31, 2025	<u>97,435</u>
Total minimum lease payments	283,025
Less amount representing interest	<u>(1,915)</u>
Present value of operating lease liability	281,110
Less: current portion of operating lease liability	<u>(183,916)</u>
Operating lease liability - long term	<u>\$ 97,194</u>

11. Employee Retirement Plan:

The Institute has adopted a qualified, defined contribution retirement 401(k) plan (the Plan). Post-Doctoral fellows who are eligible to participate will receive 3% (Safe Harbor) of regular salary and all other employees who are eligible to participate will receive 10% of regular salary (which includes Safe Harbor). The Plan is administered by the Principal Group. The Institute's retirement expense for the years ended December 31, 2023 and 2022 was \$220,007 and \$193,185, respectively.

INTERNATIONAL COMPUTER SCIENCE INSTITUTE

Notes to Financial Statements

For the years ended December 31, 2023 and 2022

12. Line of Credit:

The Institute had a revolving line of credit (“the line”) with Wells Fargo Bank in the amount of \$500,000 with an expiration date of December 10, 2022. The line was renewed and expired on April 10, 2024. The line bears interest at the greater of the Prime Rate plus 0.75% or 5.0%. The interest rate for the line as of December 31, 2023 and 2022 was 9.25% and 8.25%, respectively. The Institute did not borrow from the line in 2023 and 2022. As of December 31, 2023 and 2022, there was no principal balance outstanding on the line. The line is secured by the investments held by the Institute. There as no interest expense in 2023 and 2022. The Institute did not renew this line of credit in 2024 after expiration.

13. Foreign Currency Exchange Risk:

Certain contracts of the Institute are expressed in foreign currencies. The Institute may incur gains or losses on the exchange of those currencies into US dollars. Such gains or losses were not material to the operations of the Institute.

14. Net Assets With Donor Restrictions:

Net assets with donor restrictions amounted to \$314,733 and \$509,603 at December 31, 2023 and 2022, and are restricted to certain types of internet research projects as prescribed by certain grants. Net assets with donor restrictions amounting to \$194,870 and \$24,027 were released from restrictions, by incurring expenses in accordance with the terms of the agreement, during the years ended December 31, 2023 and 2022.

15. Income Taxes:

The Institute is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the U.S Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code. The Institute is also exempt from California income and or Franchise tax under Section 23701d of the California Revenue and Taxation Code. The Institute is generally no longer subject to tax examinations relating to federal and state tax returns for years prior to 2018. The Institute has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a “publicly supported” organization under Section 170(b)(1)(A)(vi) of the Code.

The Institute assesses its accounting for uncertainty in income taxes recognized in its financial statements and prescribes a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. There was no material impact on the Institute’s financial statements.

16. Subsequent Events:

The Institute evaluated subsequent events for recognition and disclosure through October 25, 2024, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in the financial statements except as disclosed below.

On April 30, 2024, the Institute sold part of its holding interest in a privately held company disclosed in Note 6 and received \$9,999,996 in cash from the purchasing party.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees,
International Computer Science Institute
Berkeley, California

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 financial statements of International Computer Science Institute ("the Institute") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered International Computer Science Institute'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of International Computer Science Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the International Computer Science Institute'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 entity's 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

INDEPENDENT AUDITORS' 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 – continued

We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether International Computer Science Institute's 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 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*.

International Computer Science Institute's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the International Computer Science Institute's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. International Computer Science Institute response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute'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 Institute's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SD Mayer & Associates, LLP

SD Mayer & Associates, LLP

San Francisco, CA
October 25, 2024

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees,
International Computer Science Institute
Berkeley, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited International Computer Science Institute'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 International Computer Science Institute's major federal programs for the year ended December 31, 2023. International Computer Science Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, International Computer Science Institute 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of International Computer Science Institute 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 International Computer Science Institute's compliance with the compliance requirements referred to above.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - continued

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to International Computer Science Institute's federal programs.

Auditors' 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 International Computer Science Institute'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 International Computer Science Institute'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 International Computer Science Institute'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 International Computer Science Institute'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 International Computer Science Institute's internal control over compliance. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - continued

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 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 Auditors' 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.

S D Mayer & Associates, LLP

S D Mayer & Associates, LLP

San Francisco, CA
October 25, 2024

**INTERNATIONAL COMPUTER SCIENCE INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended December 31, 2023

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Subaward Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
Research & Development Cluster					
Department of Defense					
National Security Agency					
The Science of Privacy; Implications for Data Usage; Admin & Subs	12.000	H98230-18-D- 0006/0001		\$ 126,187	\$ 12,574
The Science of Privacy; Implications for Data Usage	12.000	H98230-18-D- 0006/0002		\$ 64,578	
Total National Security Agency				<u>\$ 190,765</u>	<u>\$ 12,574</u>
Army Research Office					
Backdoor Detection via Eigenvalues, Hessians, Internal Behaviors and Robust Statistics	12.431	W911NF20C0035		\$ 1,402,264	\$ --
Total Army Research Office				<u>\$ 1,402,264</u>	<u>\$ --</u>
Total Department of Defense				<u>\$ 1,593,029</u>	<u>\$ 12,574</u>
National Science Foundation					
National Science Foundation: CCF					
<i>Pass Through Award from University of California, Berkeley : CC* Integration- Large; An Extensible Internet for Science Applications and Beyond</i>	47.070	2201489	*00010970	\$ 251,945	\$ --
Total National Science Foundation: CCF				<u>\$ 251,945</u>	<u>\$ --</u>
National Science Foundation: CNS					
Collaborative Research; CNS Core; Medium; Liquid Wireless Networking for Data-Intensive Rural Apps	47.070	2212574		\$ 28,284	\$ --
Collaborative Research; SaTC; CORE; Medium; Improving upon App-Based Privacy Nutrition Labels :CNS	47.070	2247951		\$ 12,253	\$ --
Berkeley FrameNet Website Migration: CNS	47.070	2335702		\$ 3,575	\$ --
Total National Science Foundation: CNS				<u>\$ 44,112</u>	<u>\$ --</u>
National Science Foundation: FDP					
Collaborative Research; DASS; Developer Implementation of Privacy in Software Systems	47.070	2217771		\$ 126,787	\$ --
Total National Science Foundation: FDP				<u>\$ 126,787</u>	<u>\$ --</u>
National Science Foundation: MPS					
Collaborative Research: Scalable linear algebra and neural network theory	47.049	2134247		\$ 88,878	\$ --
Total National Science Foundation: MPS				<u>\$ 88,878</u>	<u>\$ --</u>

Continued on next page

INTERNATIONAL COMPUTER SCIENCE INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2023

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Subaward Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
National Science Foundation: CISE					
NeTS: CSR: Large: Collaborative Research: Co-Design of Network, Storage and Computation Fabrics for Disaggregated Datacenters	47.070	1704941		\$ 12,038	\$ --
SaTC: Core: Small: NSF-BSF: Increasing Users' Cyber-Security Compliance by Reducing Present Bias - CLB Supplement	47.070	1817249		\$ 39,477	\$ --
Collaborative Research: Frameworks: Basic ALgebra Libraries for Sustainable Technology with Interdisciplinary Collaboration (BALLISTIC)	47.070	2004235		\$ 100,625	\$ --
Collaborative Research: SaTC: CORE: Medium: Narrowing The Gap Between Privacy Expectations and Reality in Mobile Health	47.070	2055772		\$ 307,149	\$ --
Collaborative Research: SaTC: CORE: Medium: Foregrounding Bystanders as Stakeholders in Smart Home Product Design	47.070	2114229		\$ 317,471	\$ --
RI: Medium: Scalable Second-order Methods for Training, Designing, and Deploying Machine Learning Models	47.070	2107000		\$ 64,946	\$ --
Collaborative Research: DASS: Agent Based Modeling at the Boundary of Law and Software	47.070	2131533		\$ 27,463	\$ --
Total National Science Foundation: CISE				\$ 869,169	\$ --
National Science Foundation: DMS					
ATD; Resilient Dynamic Autoencoders for Modeling and Predicting Earthquake Threats	47.049	2319621		\$ 8,656	\$ --
Total National Science Foundation: DMS				\$ 8,656	\$ --
Total National Science Foundation				\$ 1,389,547	\$ --
Department of Energy					
Fermi National Accelerator Laboratory					
<i>Pass Through Award From Fermi</i> <i>Research Alliance: Real-Time Data</i> Reduction Codesign at the Extreme Edge for Science	81.U01	DE-AC02- 07CH11359	688171	\$ 194,958	\$ --
Total Fermi National Accelerator Laboratory				\$ 194,958	\$ --
Total Department of Energy				\$ 194,958	\$ --
Total Research and Development Cluster				\$ 3,177,534	\$ 12,574

INTERNATIONAL COMPUTER SCIENCE INSTITUTE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2023

Note A: Basis of Presentation:

The accompanying schedule of expenditures of federal awards (The Schedule) is prepared on the accrual basis of accounting. 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 selected portion of the activities of the Institute, it is not intended to, and does not, present either the financial position, changes in net assets, or cash flows of the Institute. The Institute has not elected to use the 10 percent de minimis indirect cost rate.

Note B: Major Program:

The Research and development grants are determined to be a cluster of grants. A cluster of grants is a grouping of closely related grants that share common compliance requirements. A cluster of grants shall be considered as one program for determining major programs, as described in 2 CFR section 200.518, *Major Program Determination*, of the Uniform Guidance.

Note C: Subrecipients:

The Institute provided federal awards to subrecipients as listed in the Schedule of Expenditures of Federal Awards.

**INTERNATIONAL COMPUTER SCIENCE INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended December 31, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
· Material weakness(es) identified?	__ Yes	<u>X</u> No
· Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>X</u> Yes	__ None reported
Noncompliance material to financial statements noted?	__ Yes	<u>X</u> No

Federal Awards

Internal control over major programs:		
· Material weakness(es) identified?	__ Yes	<u>X</u> No
· Significant deficiency(ies) identified that not considered to be material weakness(es)?	__ Yes	<u>X</u> 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 the Uniform Guidance	__ Yes	<u>X</u> No
Identification of major programs:		
<u>CFDA/Program Title</u>	<u>Expenditures</u>	
Research and Development Cluster	<u>\$3,177,534</u>	
Dollar threshold used to distinguish between type A and type B Programs:	<u>\$750,000</u>	
Auditee qualified as low-risk auditee?	__ Yes	<u>X</u> No

INTERNATIONAL COMPUTER SCIENCE INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2023

Section II – Financial Statement Findings

Reference Number: 2023-001 - Failure to Meet Single Audit Reporting and Submission Deadline

Questioned Costs: N/A

Type of Finding: Significant Deficiency

Criteria:

Management is responsible for providing timely and accurate financial reporting. Because the Institute has expensed over \$750,000 in federal awards, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), states that the Institute is required to submit the Data Collection Form and the reporting package to the Federal Audit Clearinghouse which include the basic financial statements, within the earlier of 30 days after receipt of the auditor’s report, or nine months after the end of the audit period.

Condition:

Despite making substantial progress and improvements in preparing for audit process compared to the prior year, the Institute experienced delays in the preparation and issuance of the 2023 financial statements and the Single Audit report.

Cause:

These delays were primarily due to the completion of the prior year audit in June 2024, the compressed timeline for the 2023 audit, and staff changes in 2024.

Effect:

As a result, the Institute was unable to meet the Uniform Guidance deadline to complete the Single Audit by September 30, 2024. These timing challenges contributed to further delays in finalizing the financial statements and the Single Audit report.

Context:

Continuing to improve the audit preparation process is critical for the Institute to ensure compliance with regulatory requirements and maintain the integrity of its financial reporting.

Recommendation:

To address these challenges, we recommended that the Institute continue to refine the timeline for audit preparation, including clear deadlines across management and accounting teams. Improving the process for communicating all adjusting journal entries to the auditors would also be beneficial.

Management Response and Corrective Action:

Management concurs that improvements in preparing for the audit process have been made and continue to be implemented with the goal of meeting compliance requirements. As noted, there were one-time circumstances associated with the 2023 audit, including a compressed timeline for completion and involvement of new staff that contributed the delay. The Institute will work with the external audit team to further refine a timeline for timely completion of the FY2024 audit in order to ensure compliance with the Single Audit filing deadline.

**INTERNATIONAL COMPUTER SCIENCE INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended December 31, 2023

Section III – Federal Award Findings and Questioned Costs

None were reported.

Section IV – Summary Schedule of Prior Year Audit Findings

Reference Number: 2022-001 – Failure to Meet Single Audit Reporting and Submission Deadline

Questioned Costs: N/A

Type of Finding: Significant Deficiency

Criteria:

Management is responsible for providing timely and accurate financial reporting. Because the Institute has expensed over \$750,000 in federal awards, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), states that the Institute is required to submit the Data Collection Form and the reporting package to the Federal Audit Clearinghouse which include the basic financial statements, within the earlier of 30 days after receipt of the auditor’s report, or nine months after the end of the audit period.

Condition:

The Institute has experienced significant delays in the preparation and issuance of the 2022 basic financial statements and its Single Audit report under Uniform Guidance.

Status:

The Institute has initiated the implementation of its corrective action plan to address the previously identified finding. This process is currently underway, and full adoption of the new procedures is expected to be completed for the 2024 audit.



**INTERNATIONAL COMPUTER SCIENCE INSTITUTE
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2023**

International Computer Science Institute (“the Institute”) respectfully submits the following corrective action plan for the year ended December 31, 2023.

Audit period: January 1, 2023 – December 31, 2023.

The finding from the schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT & SINGLE AUDIT

2023-001 – Failure to Meet Single Audit Reporting and Submission Deadline

Recommendation:

We recommended that the Institute continue to refine the timeline for audit preparation, including clear deadlines across management and accounting teams. Improving the process for communicating all adjusting journal entries to the auditors would also be beneficial.

Explanation of disagreement with audit finding:

There is no disagreement with the audit finding.

Action taken in response to finding:

Management concurs that improvements in preparing for the audit process have been made and continue to be implemented with the goal of meeting compliance requirements. As noted, there were one-time circumstances associated with the 2023 audit, including a compressed timeline for completion and involvement of new staff that contributed to the delay. The Institute will work with the external audit team to further refine a timeline for timely completion of the FY2024 audit in order to ensure compliance with the Single Audit filing deadline.

Name of the contact person responsible for corrective action:

Lea Shanley, Director and President.

Planned completion date for corrective action plan:

Ongoing

If there are any questions regarding this plan, please call Lea Shanley at (510) 777-6277.