American Lightweight Materials Manufacturing Innovation Institute

Financial Report

December 31, 2021

Contents

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Independent Auditor's Report

To the Board of Directors
American Lightweight Materials Manufacturing
Innovation Institute

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of American Lightweight Materials Manufacturing Innovation Institute (ALMMII), which comprise the statement of financial position as of December 31, 2021 and 2020 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of ALMMII and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
American Lightweight Materials Manufacturing
Innovation Institute

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of ALMMII'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 ALMMII's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022 on our consideration of ALMMII's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ALMMII'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 ALMMII's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 9, 2022

Statement of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 12,566,111	$ 6,560,752
Receivables	4,285,720	3,746,199
Prepaid expenses and other assets	421,297	444,916
Property, plant, and equipment - Net	30,927,796	30,011,857
Total assets	**$ 48,200,924**	**$ 40,763,724**
Liabilities and Net Assets		
Liabilities		
Accounts payable:		
Accounts payable	$ 5,310,391	$ 1,339,401
Accounts payable to related parties	-	107,768
Contract liability - Deferred membership	2,674,208	2,740,579
Unearned revenue	5,400,480	7,204,740
Accrued liabilities and other:		
Accrued expenses	964,964	788,568
Refundable advances	35,834	35,834
Total liabilities	14,385,877	12,216,890
Net Assets		
Without donor restrictions	33,777,547	28,496,834
With donor restrictions	37,500	50,000
Total net assets	33,815,047	28,546,834
Total liabilities and net assets	**$ 48,200,924**	**$ 40,763,724**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Government grants	$ 29,293,064	$ -	$ 29,293,064	$ 15,661,845	$ -	$ 15,661,845
Foundation grants	-	59,210	59,210	-	14,000	14,000
Membership	3,763,986	-	3,763,986	2,869,084	-	2,869,084
In-kind contributions	2,155,785	-	2,155,785	2,586,574	-	2,586,574
Other income	745,706	-	745,706	1,042,946	-	1,042,946
Interest income	-	-	-	457	-	457
Net assets released from restrictions	71,710	(71,710)	-	152,165	(152,165)	-
Total revenue and other support	36,030,251	(12,500)	36,017,751	22,313,071	(138,165)	22,174,906
Expenses						
Program services - Cost of research	23,754,319	-	23,754,319	15,301,142	-	15,301,142
Support services:						
General and administrative	5,945,304	-	5,945,304	4,430,883	-	4,430,883
Membership development	1,049,915	-	1,049,915	890,410	-	890,410
Total expenses	30,749,538	-	30,749,538	20,622,435	-	20,622,435
Increase (Decrease) in Net Assets	5,280,713	(12,500)	5,268,213	1,690,636	(138,165)	1,552,471
Net Assets - Beginning of year	28,496,834	50,000	28,546,834	26,806,198	188,165	26,994,363
Net Assets - End of year	**$ 33,777,547**	**$ 37,500**	**$ 33,815,047**	**$ 28,496,834**	**$ 50,000**	**$ 28,546,834**

See notes to financial statements.

Statement of Functional Expenses

Years Ended December 31, 2021

	Program Services	Support Services		
	Cost of Research	Management and General	Membership Development	Total
Wages and contracted labor	$ 1,106,572	$ 2,403,299	$ 464,828	$ 3,974,699
Employee benefits	232,367	352,627	59,111	644,105
Payroll taxes	65,686	142,658	27,592	235,936
Total wages, contracted labor, and related expenses	1,404,625	2,898,584	551,531	4,854,740
Technology subcontracts	14,293,179	-	-	14,293,179
Education and workforce development subcontracts	506,462	-	-	506,462
Bad debt	-	833	-	833
Cost sharing	1,172,352	945,291	-	2,117,643
Computer expenses	-	432,844	-	432,844
Conferences and training	-	13,856	31,955	45,811
Direct materials and supplies	596,786	-	-	596,786
Depreciation	3,403,105	297,267	-	3,700,372
Dues and membership	-	3,050	72,475	75,525
Entertainment and business development	-	-	88,448	88,448
Insurance	-	110,845	-	110,845
Interest and fees	-	21,811	-	21,811
Accounting, legal, and consultant fees	1,190,332	799,570	143,570	2,133,472
Meetings	-	-	4,090	4,090
Printing and graphic services	5,536	5,536	-	11,072
Rent and building expenses	1,123,810	374,603	-	1,498,413
Supplies and postage	-	9,285	-	9,285
Telephone	21,040	31,929	5,352	58,321
Travel	37,092	-	152,494	189,586
Subtotal	22,349,694	3,046,720	498,384	25,894,798
Total functional expenses	**$ 23,754,319**	**$ 5,945,304**	**$ 1,049,915**	**$ 30,749,538**

See notes to financial statements.

Statement of Functional Expenses

Years Ended December 31, 2020

	Program Services	Support Services		
	Cost of Research	Management and General	Membership Development	Total
Wages and contracted labor	$ 858,932	$ 2,144,728	$ 413,480	$ 3,417,140
Employee benefits	198,141	285,081	56,612	539,834
Payroll taxes	52,438	130,935	25,243	208,616
Total wages, contracted labor, and related expenses	1,109,511	2,560,744	495,335	4,165,590
Technology subcontracts	6,852,492	-	-	6,852,492
Education and workforce development subcontracts	838,837	-	-	838,837
Bad debt	-	85,989	-	85,989
Cost sharing	1,721,003	5,956	-	1,726,959
Computer expenses	-	327,679	-	327,679
Conferences and training	-	4,815	83,619	88,434
Direct materials and supplies	119,978	-	-	119,978
Depreciation	3,407,305	299,886	-	3,707,191
Dues and membership	-	6,370	27,406	33,776
Entertainment and business development	-	-	79,204	79,204
Insurance	-	70,720	-	70,720
Interest and fees	-	17,972	-	17,972
Accounting, legal, and consulting fees	214,062	644,364	152,461	1,010,887
Meetings	-	-	33	33
Printing and graphic services	3,023	3,023	-	6,046
Rent and building expenses	1,022,601	340,867	-	1,363,468
Supplies and postage	-	44,753	-	44,753
Telephone	12,330	17,745	3,524	33,599
Travel	-	-	48,828	48,828
Subtotal	14,191,631	1,870,139	395,075	16,456,845
Total functional expenses	**$ 15,301,142**	**$ 4,430,883**	**$ 890,410**	**$ 20,622,435**

Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	$ 5,268,213	$ 1,552,471
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	3,700,372	3,707,191
Bad debt expense	833	85,989
Contribution of property and equipment	-	(11,500,800)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(540,354)	841,014
Prepaid expenses and other assets	23,619	(10,161)
Accounts payable	3,916,252	(1,002,277)
Accrued and other liabilities	176,396	91,518
Accounts payable - Related parties	(107,768)	(422,298)
Unearned revenue	(1,804,260)	7,170,590
Refundable advances	-	(33,341)
Contract liability - Deferred membership	(66,371)	2,109,212
Net cash and cash equivalents provided by operating activities	10,566,932	2,589,108
Cash Flows Used in Investing Activities - Purchase of property and equipment	(4,561,573)	(177,312)
Net Increase in Cash and Cash Equivalents	6,005,359	2,411,796
Cash and Cash Equivalents - Beginning of year	6,560,752	4,148,956
Cash and Cash Equivalents - End of year	**$ 12,566,111**	**$ 6,560,752**
Supplemental Cash Flow Information - Noncash investing activities		
Property and equipment purchases included in accounts payable	$ 54,738	$ -
Noncash additions of property and equipment	-	11,500,800

See notes to financial statements.

Note 1 - Nature of Business

American Lightweight Materials Manufacturing Innovation Institute (ALMMII), dba Lightweight Innovations for Tomorrow (LIFT), is a Michigan nonprofit corporation located in Detroit, Michigan, formed for the purpose of scientific research, education, development, and innovations of optimized, multimaterial lightweight structures. ALMMII was founded by University of Michigan (UofM), The Ohio State University (OSU), and Edison Welding Institute (EWI). ALMMII is part of the national network of manufacturing innovation institutes, a public-private partnership between the U.S. Department of Defense, industry, and academia, driving the U.S. mobility sector toward the future manufacturing revolution to support our nation's economy and enhance our national security.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of ALMMII are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents

ALMMII considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The amount of bank deposits (checking and savings accounts) that were insured by the FDIC totaled $500,000 as of December 31, 2021 and 2020. ALMMII evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. During 2021 and 2020, certain receivables were identified as uncollectible and written off when identified by management. Based on management's review of outstanding receivable balances and historical collection information, management's best estimate is that all balances will be collected. Accordingly, ALMMII has not established an allowance for doubtful accounts.

Property and Equipment

Property and equipment are recorded at cost or fair value at the date of contribution for contributed or discounted property and equipment. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over the shorter of their estimated useful lives or the remaining term on a government contract. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Amortization of the property and equipment under capital lease is computed using the straight-line method over the life of the lease and is included in depreciation expense. Costs of maintenance and repairs greater than $5,000 are capitalized, while all other repairs and maintenance are charged to expense when incurred. The estimated useful lives of furniture and fixtures, office equipment, machinery and equipment, and computer software range from approximately 5 to 15 years.

Membership Dues

ALMMII generates revenue from contracts with customers from membership dues. Membership dues are reported at the amount that reflects the consideration to which ALMMII expects to be entitled in exchange for providing member benefits. Annual memberships are paid in a lump sum or in installments and billed a month prior to membership renewal. Members include corporate organizations and higher education institutions across the United States.

Note 2 - Significant Accounting Policies (Continued)

ALMMII has obligations to provide members with certain prepaid services and general member benefits. ALMMII has concluded the prepaid services are a separate performance obligation since those would otherwise be charged to members. The remaining membership dues represent a single performance obligation, which includes access to ALMMII resources, invitations to join projects, and invitations to other ALMMII events that occur throughout the year. Prepaid services are recognized at a point in time when the services are provided to the member or when they expire at the end of the membership period. General member benefits are recognized monthly over the annual membership period. During the years ended December 31, 2021 and 2020, approximately 49 and 50 percent, respectively, of membership revenue was recognized at a point in time and approximately 51 and 50 percent, respectively, of membership revenue was recognized over time.

Membership fees billed but unpaid are recorded as a receivable. At December 31, 2021 and 2020, membership fees billed but unpaid were $39,167 and $61,750, respectively. At January 1, 2020, membership fees billed but unpaid were $38,328. Membership fees collected in advance are recorded as contract liability - deferred membership. At January 1, 2020, contract liability - deferred membership was $631,367.

Contributions

Unconditional promises to give cash and other assets to ALMMII are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. In-kind contributions are recorded as revenue and expense in the statement of activities and changes in net assets at the time those contributions and services are received.

ALMMII receives conditional contributions from federal and state sources for the purpose of ongoing research that are not recognized as revenue within the statement of activities and changes in net assets until the conditions are met. ALMMII's revenue is derived from cost-reimbursable and milestone-based federal contracts and grants, primarily from the Department of Defense.

For cost-reimbursable grants, amounts received are recognized as revenue in the statement of activities and changes in net assets as grants and awards when ALMMII has incurred expenditures in compliance with specific contract or grant provisions. Conditional grant and award moneys received in excess of that earned are recorded as unearned revenue. ALMMII received cost-reimbursable grants of approximately $13,400,000 and $9,500,000 that have been recognized for the years ended December 31, 2021 and 2020, respectively, as qualifying expenditures have been incurred. The amount pledged through conditional contributions not yet recognized as revenue is approximately $16,700,000 and $8,700,000 as of December 31, 2021 and 2020, respectively.

For milestone-based grants, amounts received are recognized as revenue in the statement of activities and changes in net assets as grants and awards when ALMMII has met the milestones requirements as described in the contracts. ALMMII received milestone-based grants of approximately $15,900,000 and $6,200,000 as of December 31, 2021 and 2020, respectively. The amount pledged through conditional contributions not yet recognized as revenue is approximately $22,100,000 and $9,500,000 as of December 31, 2021 and 2020, respectively.

Note 2 - Significant Accounting Policies (Continued)

ALMMII also receives conditional contributions from donors that are not recognized as revenue within the statement of activities and changes in net assets until the conditions are met. ALMMII recognized conditional contributions from donors of approximately $1,800,000 for the years ended December 31, 2021 and 2020 as conditions imposed for in-kind software licenses have been met. The amount pledged and recorded as unearned revenue not yet recognized as revenue is approximately $5,400,000 and $7,205,000 as of December 31, 2021 and 2020, respectively.

Classification of Net Assets

The net assets of ALMMII are classified based on the presence or absence of donor-imposed restrictions.

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

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 ALMMII or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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.

Concentration of Credit Risk

ALMMII's main revenue is from government grants and in-kind contributions. As of and for the years ended December 31, 2021 and 2020, approximately 85 percent and 81 percent, respectively, of accounts receivable and 56 percent and 69 percent, respectively, of revenue is related to federal grants with the Office of Naval Research. For the years ended December 31, 2021 and 2020, approximately 22 percent and 2 percent, respectively, of revenue is related to federal grants with the Army Contracting Command.

Use of Estimates

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

Income Taxes

ALMMII is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among cost of research services and supporting services benefited. Wages and related personnel expenses are allocated based on time and effort, rent and building expenses are allocated based on square footage, and depreciation is based on the assets intended use. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 9, 2022, which is the date the financial statements were available to be issued.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (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 statement of financial position. The reporting of lease-related expenses in the statements of activities and changes in net assets and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for ALMMII's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the year of adoption. The new lease standard is expected to have a significant effect on ALMMII’s financial statements as a result of ALMMII's operating leases, as disclosed in Note 5, that will be reported on the statement of financial position at adoption. Upon adoption, ALMMII 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 statement of activities and changes in net assets 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.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the ALMMII’s year ending December 31, 2022 and will be applied using the retrospective method.

Note 3 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Machinery and equipment	$ 24,142,703	$ 19,671,456
Furniture and fixtures	1,058,706	970,743
Computer equipment and software	11,665,989	11,665,989
Leasehold improvements	9,194,054	9,139,883
Total cost	46,061,452	41,448,071
Accumulated depreciation	15,133,656	11,436,214
Net property and equipment	$ 30,927,796	$ 30,011,857

Depreciation expense for 2021 and 2020 was $3,700,372 and $3,707,191, respectively.

Note 4 - In-kind Contributions

ALMMII receives in-kind contributions, such as technical support, equipment, and other various contributions in support of the organization. Donated items and services received by ALMMII and used in its programs have been reflected in the financial statements at their estimated fair values. ALMMII has recognized in-kind contributions of $2,155,785 and $2,586,574 for the years ended December 31, 2021 and 2020, respectively.

Note 5 - Lease Commitments

ALMMII leases its operating facility under an operating lease agreement expiring in January 2025 requiring monthly rental payments ranging from $57,107 to $59,233. In April 2021, ALMMII entered into an operating lease agreement for office space located in Sterling Heights, Michigan. The lease expires in March 2024, and monthly rental payments ranging from approximately $13,600 to $15,000.

Total rental expense was $827,187 and $691,950 for 2021 and 2020, respectively.

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

Years Ending December 31	Amount
2022	$ 879,000
2023	889,000
2024	756,000
2025	59,000
Total	$ 2,583,000

ALMMII subleases a portion of the building to a third party under a long-term agreement that expires in January 2025. ALMMII receives $23,000 per month and a share of the related costs, as defined in the sublease agreement.

In April 2021, ALMMII entered into a sublease agreement for use of a portion of the building to a platinum member with an expiration date in January 2025. ALMMII receives $9,000 per month effective July 2021.

Rental income under the above subleases was $643,550 and $676,135 for 2021 and 2020, respectively, and is included in other income in the accompanying statement of activities and changes in net assets.

Future minimum annual lease payments under the sublease mentioned above are as follows:

Years Ending December 31	Amount
2022	$ 386,000
2023	389,000
2024	391,000
2025	52,000
Total	$ 1,218,000

Note 6 - Employee Benefit Plan

ALMMII sponsors a 401(k) plan for all eligible full-time employees. ALMMII contributes a discretionary employer matching contribution to each eligible participant equal to 50 percent of the first 8 percent of compensation deferred by each employee. An additional safe harbor contribution of 3 percent of compensation is made to each participant's account. Total expenses related to this plan were $227,528 and $193,828 for December 31, 2021 and 2020, respectively.

Note 7 - Related Party Transactions

ALMMII was co-founded by OSU, UofM, and EWI. ALMMII has entered into subcontract agreements with these related parties to provide certain technical advisory services with various expiration dates through 2020 and 2021. The following is a description of transactions between ALMMII and related parties:

Accounts Payable

At December 31, 2021 and 2020, ALMMII had accounts payable to OSU totaling $0 and $75,615 and accounts payable to EWI totaling $0 and $32,153, respectively. All these amounts are included in the statement of financial position as accounts payable to related parties.

In-kind contributions

For the years ended December 31, 2021 and 2020, ALMMII had in-kind contributions from these subcontract agreements totaling $0 and $34,128, respectively.

Expenses

For the years ended December 31, 2021 and 2020, ALMMII had incurred expenses with OSU totaling $21,117 and $153,152, incurred expenses with UofM totaling $10,181 and $143,050, and incurred expenses with EWI totaling $80,355 and $263,281, respectively.

Note 8 - Liquidity and Availability of Financial Resources

The following reflects ALMMII's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2021	2020
Cash and cash equivalents	$ 12,566,111	$ 6,560,752
Accounts receivable	4,285,720	3,746,199
Financial assets - At year end	16,851,831	10,306,951
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions - Restricted by donor with time or purpose restrictions	37,500	50,000
Financial assets available to meet cash needs for general expenditures within one year	$ 16,814,331	$ 10,256,951

Due to the nature of its business, ALMMII maintains financial assets in the form of cash to support normal operating expenses for a period up to 180 days. ALMMII has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. ALMMII has a committed line of credit in the amount of $4 million at December 31, 2021 and 2020 that it could draw upon if needed, as further disclosed in Note 9.

ALMMII also realizes there could be unanticipated liquidity needs.

Note 9 - Line of Credit

Under a line of credit agreement with a bank, ALMMII has available borrowings of $4,000,000 that expire in September 2023. Borrowings are limited to formulas based on the lesser of max borrowings, eligible accounts receivable, or liquidation value of specific equipment. Interest is payable monthly at a rate greater of either 3.50 percent or the highest bank prime rate recorded in *The Wall Street Journal* in its general guide to money rates (an effective rate of 2.41 and 2.50 percent at December 31, 2021 and 2020, respectively). Effective June 2022, interest is payable monthly at a variable interest rate set by the bank to be no less than 3.00 percent (an effective rate of 4.00 percent at the time of opening the line of credit). The line of credit is collateralized by substantially all assets of ALMMII.

At December 31, 2021, ALMMII was in violation of the requirement to provided audited financial statements within 180 days of year end. The bank has waived that requirement of the agreement as of and for the period ended December 31, 2021.

American Lightweight Materials Manufacturing Innovation Institute

Federal Awards Supplemental Information

December 31, 2021

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Plante & Moran, PLLC
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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
American Lightweight Materials
Manufacturing Innovation Institute

We have audited the financial statements of American Lightweight Materials Manufacturing Innovation Institute as of and for the year ended December 31, 2021 and have issued our report thereon dated September 9, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to September 9, 2022.

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 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.

Plante & Moran, PLLC

September 9, 2022

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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
American Lightweight Materials
Manufacturing Innovation 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 financial statements of American Lightweight Materials Manufacturing Innovation Institute (ALMMII), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities and changes in net assets, 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 September 9, 2022.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ALMMII'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*.

To Management and the Board of Directors
American Lightweight Materials
Manufacturing Innovation 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 ALMMII's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ALMMII's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 9, 2022

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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
American Lightweight Materials
Manufacturing Innovation Institute

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited American Lightweight Materials Manufacturing Innovation Institute's (ALMMII) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on ALMMII's major federal program for the year ended December 31, 2021. ALMMII's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, ALMMII complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of ALMMII 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 the major federal program. Our audit does not provide a legal determination of ALMMII's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

To the Board of Directors
American Lightweight Materials
Manufacturing Innovation Institute

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ALMMII's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ALMMII's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ALMMII'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 ALMMII'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 ALMMII's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
American Lightweight Materials
Manufacturing Innovation Institute

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

September 9, 2022

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Contract Number	Provided to Subrecipients	Federal Expenditures
Research and Development Cluster:					
U.S. Department of Defense:					
Basic, Applied and Advanced Research in Science and Engineering	12.630		N000-14-14-2-0002	$ 4,857	$ 3,397,158
Basic and Applied Scientific Research:					
Lightweight Modern Materials and Advanced Manufacturing Innovation Institute	12.300		N000-14-20-1-2113	-	6,041
Advancing the LIFT Manufacturing Technology & Talent Ecosystem for U.S. National Security, Innovation, Economic Growth and Supply Chain Resiliency	12.300		N000-14-21-1-2458	369,202	5,971,204
American Lightweight Materials and Advanced Manufacturing Innovation Institute - Ecosystem and Growth	12.300		N000-14-20-1-2768	-	100,475
Expanding and Scaling Operation Next: Preparing Military Personnel for Careers in Advanced Manufacturing	12.300		N000-14-19-1-2726	131,832	583,163
Transparent Armor Prototype and Hybrid Electrified Power Take-off	12.300		N000-14-19-9-0020	1,650,000	2,275,000
Electric Power Take-Off (EPTO) Phase 2	12.300		N000-14-21-9-0009	2,000,000	2,261,522
Advanced Metal Deposition Technology	12.300		N000-14-21-9-0007	460,000	518,963
Cold Spray for Large Caliber Weapon Systems	12.300		N000-14-21-9-0004	2,318,000	2,337,241
Cold Spray for Research and Development	12.300		N000-14-21-9-0010	577,518	526,161
Hypersonics Challenge	12.300		N000-14-21-9-0006	143,000	100,000
Hypersonic Thermal Management Research	12.300		N000-14-21-1-2551	-	2,059,683
Hypersonics Thermal Management Research - Phase 2	12.300		N000-14-21-1-2660	-	99,822
Other Transaction Agreement - Blanket Army Order	12.300		W56HZV209D001	6,781,645	7,862,475
Passed through FlexTech Alliance, Inc.:					
OUSD(RE) Education Workforce Development - Regionalism:					
Real Time Labor Market Data and Institute Jumpstart Projects	12.300	FA8650-20-2-5506-P00011	716047	68,746	134,114
LIFT Smarter Manufacturing Virtual Externship OpenEdX Content Development	12.300	FA8650-20-2-5506-P00016	716027	-	22,500
Total ALN 12.300 - Basic and Applied Scientific Research				14,499,943	24,858,364
Total Research and Development Cluster:				14,504,800	28,255,522
U.S. Department of Commerce - COVID-19 Science, Technology, Business and/or Education Outreach - Operation Next for Pandemic Recovery	11.620		70NANB20H083	294,842	735,955
Total				**$ 14,799,642**	**$ 28,991,477**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of American Lightweight Materials Manufacturing Innovation Institute (ALMMII) under programs of the federal government for the year ended December 31, 2021. 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 ALMMII, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of ALMMII.

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.

ALMMII has elected to use the 10 percent *de minimis* indirect cost rate on certain grants, where it is included in the agreement, to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

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	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X None reported

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
12.630, 12.300	Research and Development Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None