



AGENDA
RESOURCES COMMITTEE MEETING

Tuesday, January 27, 2026 - 10:45 a.m. – IALR Conference Room 203

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|---|--------------------|
| I. Convening of Meeting | Mr. Don Merricks |
| A. Welcome | |
| B. Call to Order and Confirmation of Quorum | |
| C. Call for Changes to Agenda | |
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| II. Attendance of Committee Members by Electronic Communications Means (Vote Required) | Mr. Don Merricks |
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| III. Approval of Minutes (Vote Required) | Mr. Don Merricks |
| A. October 28, 2025 | |
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| IV. Financial Reports | Ms. Angie Anderson |
| A. Quarterly Financials – 2nd Quarter, FY2026 | |
| B. Review of Manufacturing Advancement Budget | |
| C. Approval of 2 nd Quarter Financials (Vote Required) | |
| D. Final Audit Report for the Year Ended June 30, 2025 | |
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| V. Updates | Mr. Telly Tucker |
| A. Legislative Update | |
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| VI. Open Discussion of Concerns, Issues, and Observations | Group |
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| VII. Adjournment | Mr. Don Merricks |
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Future Committee Meetings – 10:45 a.m.

April 28, 2026

Future Plenary/BOT Meetings – 9:00 am

February 12, 2026

May 14, 2026

Resource & Control Committee

Mr. Don Merricks, *Chair*
Mr. Ben Davenport
Mr. Don Gibson, *Ex Officio*
Mr. Charles Majors
Ms. Leslie Mantiplay
Mr. Kunal Patel
Ms. Chris Pennington

IALR Staff

Mr. Telly Tucker, President
Dr. John Hughes, EVP, Operations
Ms. Angie Anderson, Chief Financial Officer
Ms. Pam Patterson, BOT Secretary



**IALR BOARD OF TRUSTEES (BOT)
RESOURCES COMMITTEE**

Minutes – October 28, 2025 - 10:45 a.m. – Conference Room 203

<p><u>Members Present</u> Mr. Don Merricks, <i>Chair</i> Mr. Ben Davenport Mr. Charles Majors, <i>via Zoom</i> Ms. Leslie Mantiply Mr. Kunal Patel Ms. Chris Pennington, <i>via Zoom</i></p> <p><u>Members unable to attend</u> Mr. Don Gibson, <i>Ex Officio</i></p>	<p><u>IALR Staff Present</u> Mr. Telly Tucker, President Ms. Angie Anderson, Chief Financial Officer Ms. Pam Patterson, BOT Secretary & Executive Assistant</p> <p><u>IALR Staff Unable to Attend</u> Dr. John Hughes, EVP, Operations</p> <p><u>Guest</u> Mr. Corbin Stone, CPA, MBA Managing Director of Blacksburg, VA Office, Robinson, Farmer, Cox Associates</p>
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Call to Order / Quorum

Mr. Don Merricks called the Resources Committee meeting to order at 10:45 a.m. on Tuesday, October 28, 2025. A quorum was present.

Amendment to Agenda

Ms. Leslie Mantiply requested an agenda change to include a discussion of the Foundation Board of Directors (FBOD) investment policy.

Attendance of Committee Members by Electronic Communications Means

Mr. Merricks announced that Mr. Charles Majors and Ms. Chris Pennington would attend the meeting remotely. Mr. Majors attended remotely due to a medical issue. Ms. Pennington attended remotely due to the distance of travel from her workplace.

Approval of Minutes

- **Motion** – Mr. Ben Davenport made a motion to accept the Minutes for the July 29, 2025 meeting. Ms. Leslie Mantiply seconded the motion. The motion was approved by unanimous consent.

FY2025 Audit Review

Mr. Corbin Stone served as the partner-in-charge and lead auditor for the FY2025 IALR audit. He commented that the audit was 99% complete pending the final compliance supplement from the federal government. He reported that the audit went very well, and IALR received a clean, unmodified report with no findings. He highlighted a 32% annual growth in the total assets to \$154 million with minimal debt. He explained that the Annual Financial Report and the Communication with Those Charged with Governance Report were in preliminary draft form, awaiting the compliance supplement. He discussed three reports provided within the *Annual Financial Report for the Fiscal Year Ended June 30, 2025 (Exhibit A)*:

- a) the Independent Accountant's Report on pages 1-3
- b) the *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* on pages 41-42 of the Annual Financial Report for Fiscal Year ended June 30, 2025.
- c) the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance – Report on Compliance for Each Major Federal Program (pages 43-47 of the Annual Financial Report for Fiscal Year ended June 30, 2025. This audit was performed because IALR received more than \$750K in federal grants.

The *June 30, 2025, Audit Presentation (Exhibit B)* was reviewed and included:

- a) the Summary of Financial Data Fiscal Years 2017 through 2025 (page 1)
- b) the Independent Accountants' Report (pages 2-3)
- c) the *Communication with Those Charged with Governance* on pages 4-7
- d) *Accounting Update – Summary of Upcoming Pronouncements by the Governmental Accounting Standards Board (GASB)* shown on Appendix 1, pages 1-3 (GASB Statements No 103).

Mr. Don Merricks thanked Mr. Stone for the audit presentation and the comparisons/summary of 2017 through 2025.

- **Motion:** Mr. Charles Majors made a motion to approve the audit in its preliminary form, subject to the finalization of the federal portion. The motion authorizes the and Resources Committee Chair, Mr. Don Merricks, to review the final audit information when received, and present it to the Board of Trustees for approval at the November 13, 2025, meeting.

Mr. Merricks commended Ms. Anderson and the finance team for the excellent audit report.

Financial Report – 1st Quarter of FY2026

A. Quarterly Financials

Mr. Merricks, Mr. Gibson, Mr. Tucker, and Ms. Anderson previewed the financial report in depth and found everything in good order. Ms. Anderson presented the report (**Exhibit D**) for

the first quarter of FY2026, which showed a 1% surplus. Ms. Anderson detailed the status of accounts receivable, cash reserves, and investments.

The Advanced Manufacturing program showed an 18% surplus with an equipment reserve of \$547,000 in the ATDM 5.0 project, reducing it to a 10% surplus. The division was tracking as expected on all active contracts, except for the Blue Forge Alliance submarine project, which was awaiting funding. The committee discussed the scope of work for displaying naval artifacts, including the sail from the USS Buffalo submarine and the rudder from the USS Providence, which will be installed at a cost of approximately \$1.6 million and is expected to be completed in January 2026.

The Resource Committee discussed investment strategy, agreeing to maintain a 60% allocation while focusing on high-quality fixed income investments.

The committee also approved the request made by Mr. Majors and Mr. Tucker to work with Mr. Gibson and Mr. Merricks to develop plans for two new unfunded positions: a chief of staff and an executive VP for Finance Administration, with the understanding that it would require future Board of Trustees' approval and budget allocation.

IALR Foundation Board of Directors – Financial Strategy Review

The committee reviewed the Foundation's financial status, noting that \$301,000 is currently held, with the Gene Haas Foundation Scholarship as the most significant portion. They discussed the potential use of these funds for travel and competition costs, as allowed by the Gene Haas Foundation. The real estate holding company's operational costs were also addressed, with a projected 24-month timeline for positive revenue. The committee considered moving funds from reserves to cover operating costs and debated whether to continue financing the building or to retire the debt. They also discussed the foundation's investment strategy, agreeing to maintain a 60% allocation while focusing on high-quality fixed income investments.

- **Motion:** Mr. Kunal Patel made a motion to accept the financial report and recommend it to the Board of Trustees for approval. Ms. Leslie Mantiply seconded the motion. The motion passed by unanimous vote.

Updates

- A. **Funding Request for the Center for Manufacturing Advancement Expansion**
Mr. Tucker provided an update on legislative efforts, noting that while the \$33 million building expansion request was not included in the current budget; there was potential support for capital projects in the Governor's upcoming December budget.
- B. **Accelerate 2030 Campaign**
Mr. Tucker provided an update on the Accelerate 2030 Campaign, a strategic shift toward private sector support for economic development, which aims to leverage public dollars.

New Business and Open Forum of Concerns, Issues, and Observations

No items were discussed.

Action Items

- Don Merricks – Review the final audit information when completed and present it as a Recommendation for approval at the Board of Trustees at the November 13th meeting.
- Leslie Mantiplay – Respond to Chris Eastwood (Foundation Board of Directors member), regarding the Resource Committee’s recommendation to maintain the 60% equity target and retain fixed income quality requirements.
- Telly Tucker, Charles Majors, Don Merricks, and Don Gibson – Continue to work together on a plan for two additional staffing positions, including job descriptions and budget requirements, to take to the Board of Trustees for consideration.
- Angela Anderson – Work with Linda Green (VP of Economic Development-SVRA) regarding the potential need to add a finance staff member to handle SVRA’s financial reporting as the organization grows through the Accelerate 2030 campaign.

Adjournment

Mr. Don Merricks requested a motion to adjourn the meeting.

- **Motion:** Mr. Ben Davenport made a motion to adjourn the meeting. Mr. Kunal Patel seconded the motion. The motion passed unanimously, and the meeting was adjourned at 11:51 a.m.

Minutes Recorded By:

Minutes Approved By:

Pam Patterson
Secretary, Board of Trustees

Don Merricks
Chair

Date

Date

Attachments Included as Official Part of Minutes

Exhibit A - FY2025 Audit Report – Annual Financial Report

Exhibit B - FY2025 Audit Report – Independent Accountants' Report

Exhibit C – FY 2025 Audit Presentation

Exhibit D - IALR Financial Overview – 1st Quarter FY2026



IALR Financial Overview

1. Budget, 12 31 2025
2. Financial Result Summary

Institute for Advanced Learning and Research
2026 YTD Current Rev, Exp, & Changes in Net Assets by Dept.
 Period Ending 12/31/25

	Budget				Remaining		50% 6 Mo Target
	06/30/2026	1st Qtr	2nd Qtr	Total	Balance	Spent	
Revenues							
00 - General	\$ 11,807,340	\$ 3,107,006	\$ 3,817,428	\$ 6,924,434	\$ 4,882,907		
10 - Research	\$ 40,000	\$ 3,186	\$ 22,454	\$ 25,640	\$ 14,360		
40 - Advanced Learning	\$ 3,000	\$ 14,721	\$ 34,195	\$ 48,916	\$ (45,916)		
60 - Conference Services	\$ 987,650	\$ 199,424	\$ 299,925	\$ 499,349	\$ 488,301		
74 - Facility Op & Maintenance	\$ 817,046	\$ 203,438	\$ 202,160	\$ 405,599	\$ 411,447		
84 - Central	\$ -	\$ 95,651	\$ -	\$ 95,651	\$ (95,651)		
88 - Executive	\$ 191,984	\$ -	\$ -	\$ -	\$ 191,984		
91 - Economic Development & Busines	\$ 160,000	\$ 12,500	\$ 130,960	\$ 143,460	\$ 16,540		
99 - Capital Improvements	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000		
Total Revenues	\$ 14,257,020	\$ 3,635,926	\$ 4,507,122	\$ 8,143,048	\$ 6,113,972		57.12%
Expenses							
00 - General	\$ 524,172	\$ 156,216	\$ 157,550	\$ 313,766	\$ 210,406		59.86%
10 - Research	\$ 995,303	\$ 225,367	\$ 219,269	\$ 444,635	\$ 550,668		44.67%
20 - Health & Safety	\$ 316,017	\$ 50,073	\$ 52,963	\$ 103,035	\$ 212,982		32.60%
30 - Contracts & Grants	\$ 223,060	\$ 56,019	\$ 53,417	\$ 109,436	\$ 113,624		49.06%
40 - Advanced Learning	\$ 1,065,185	\$ 131,370	\$ 132,074	\$ 263,444	\$ 801,741		24.73%
55 - Center for Advanced Manufacturing	\$ 630,844	\$ 157,711	\$ 157,711	\$ 315,422	\$ 315,422		50.00%
60 - Conference Services	\$ 1,280,574	\$ 323,384	\$ 355,393	\$ 678,776	\$ 601,798		53.01%
70 - Finance	\$ 889,750	\$ 220,458	\$ 229,259	\$ 449,717	\$ 440,033		50.54%
74 - Facility Op & Maintenance	\$ 2,686,740	\$ 608,071	\$ 686,674	\$ 1,294,745	\$ 1,391,995		48.19%
76 - Technology Support	\$ 1,742,238	\$ 384,120	\$ 455,265	\$ 839,385	\$ 902,853		48.18%
82 - Human Resources	\$ 624,789	\$ 179,282	\$ 133,848	\$ 313,130	\$ 311,659		50.12%
84 - Central	\$ 530,605	\$ 234,634	\$ 117,243	\$ 351,877	\$ 178,728		66.32%
88 - Executive	\$ 1,009,446	\$ 324,091	\$ 267,071	\$ 591,161	\$ 418,285		58.56%
91 - Economic Development & Business	\$ 843,451	\$ 236,607	\$ 160,969	\$ 397,577	\$ 445,874		47.14%
94 - Public Relations	\$ 644,846	\$ 133,558	\$ 132,390	\$ 265,948	\$ 378,898		41.24%
99 - Capital Improvements	\$ 250,000	\$ -	\$ 8,291	\$ 8,291	\$ 241,709		3.32%
Total Expenses	\$ 14,257,020	\$ 3,420,959	\$ 3,319,385	\$ 6,740,345	\$ 7,516,675		47.28%
NET SURPLUS/(DEFICIT)	\$ -	\$ 214,967	\$ 1,187,736	\$ 1,402,703	\$ (1,402,703)		9.84%

INSTITUTE FOR ADVANCED LEARNING AND RESEARCH
 FY2026 BOARD REPORT - December 31, 2025
 FINANCIAL RESULT SUMMARY

1) ACCOUNTS RECEIVABLE

12/31/2024		12/31/2025	
A/R Bal	Over 30	A/R Bal	Over 30
\$9,837,007	\$2,986,519	\$5,467,982	\$2,807,345

2) IALR CASH

UNRESTRICTED IALR CASH

	2025	2025	2026
	YTD	2nd Quarter	2nd Quarter
CASH RESERVE - BALANCE	\$2,025,632	\$1,993,891	\$2,056,138
OPERATING - BALANCE	\$214,726	\$1,371,427	\$4,261,536
TOTAL UNRESTRICTED IALR CASH	\$2,240,358	\$3,365,318	\$6,317,674

RESTRICTED IALR CASH

	2025	2025	2026
	YTD	2nd Quarter	2nd Quarter
NON-FEDERAL - BALANCE	\$1,980,466	\$2,817,916	\$4,191,287

Restricted Funds:

CHW Restricted - Cash	\$3,798	\$3,798	\$3,798
Capstone Restricted - Cash	\$0	\$0	\$0
Account Beginning Balance	\$3,000	\$3,000	\$3,000
Career Expo	\$0	\$0	(\$21,356)
Robert Woods Johnson	\$0	\$0	\$0
Americorp/ServeIT	(\$14,234)	\$37,372	\$287,978
DRF - STEM-H	\$0	\$0	\$0
STEM-H Various Donors	\$0	\$0	\$0
DRF-DRRC	\$319,205	\$338,673	\$298,221
Industrial Hemp Summit	\$0	\$0	\$1,351,213
Industry 4.0 - DRF Grant	\$862,880	\$862,880	\$862,880
FOP - Regional Food Systems	\$66,134	\$83,059	\$47,881
Life Long Learning	\$1,958	\$1,493	\$3,743
REACH	\$79,890	\$717,171	\$574,868
CMA - DRF Funding	\$0	\$0	\$0
Experience Works - Intern Program	\$61,847	\$61,847	\$56,300
Experience Works - Match Funding	\$25,145	\$200,853	\$23,141
SCHEV	\$87,658	\$140,507	\$0
GOTEC Private Funding	\$243,949	\$161,442	\$282,688
<i>Restricted Funds at 12/31/25</i>	\$1,741,230	\$2,612,095	\$3,774,357

Reconciling Items:

Money moved after 12/31	\$239,236	\$205,821	\$416,930
Cash Receipts Received	\$0	\$0	\$0
	\$1,980,466	\$2,817,916	\$4,191,287

RESTRICTED IALR CASH
 FEDERAL - BALANCE

	2025	2025	2026
	YTD	2nd Quarter	2nd Quarter
FEDERAL - BALANCE	\$6,341,446	\$2,846,663	\$3,067,682

Restricted Funds:

Account Beginning Balance	\$3,000	\$3,000	\$3,000
DOD-ATDM 3.0	\$0	\$375,942	\$75,518
DOD - ATDM 4.0	\$1,612,345	\$0	\$0
DOD - ATDM 5.0	\$0	\$0	\$208,521
Afghan #4	\$7,996	\$7,996	\$7,996
Afghan #5	\$51,614	\$51,614	\$51,614
BFA - Submarine	\$0	\$2,166	\$0
BFA - Mahmood	\$4,008	\$4,008	\$4,008
EDA - CMA Equipment	\$276,858	\$276,858	\$276,858
BFA - RTC Long Lead	\$0	\$105,759	\$0
AMPRO SOW #1	\$26,041	\$26,041	\$26,041
AMPRO SOW #2	\$58,445	\$58,445	\$58,445
AMPRO SOW #3	\$1,994,000	\$1,048,545	\$1,025,730
BFA - NAVAIR	\$474,798	\$882,197	\$110,236
ROCK ISLAND - RTC CONSTRUCTION	\$1,776,148	\$0	\$1,171,948
EB2	\$4,160	\$4,160	\$4,160
Afghan #6	\$41,897	\$0	\$41,897
Austal Hermle	\$0	\$0	\$0
BFA - Sea Cadets	\$10,203	\$0	\$1,776
Bank Fee	(\$67)	(\$67)	(\$67)
	\$6,341,446	\$2,846,663	\$3,067,682

3) **Advanced Manufacturing Cash**

	2025	2025	2026
	YTD	2nd Quarter	2nd Quarter
ADVANCED MANUFACTURING	\$6,825,485	\$5,012,248	\$13,857,598
<i>Restricted Funds:</i>			
Account Beginning Balance	\$3,000	\$3,000	\$3,000
ATDM 1.0	\$875,599	\$875,599	\$875,599
Afghan #1	\$365	\$365	\$365
Afghan #2	\$7,820	\$7,820	\$7,820
Afghan #3	\$13,178	\$13,178	\$13,178
ATDm 2.0	\$4,104,331	\$4,104,331	\$4,104,331
FY23 Surplus	\$0	\$0	\$1,377,753
FY24 Surplus	\$1,586,413	\$1,500,000	\$1,586,413
Withdrawal for Real Estate Purchase	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)
Bechtel Plant Machinery	\$380,000	\$380,000	\$380,000
Interest	\$221,479	\$127,955	\$379,671
Miutoyo Partnership	\$64,000	\$0	\$64,000
Bechtel Plant Machinery - SIB Workforce Dev.	\$69,300	\$0	\$43,706
FY25 Surplus	\$1,500,000	\$0	\$5,331,097
ATDM Equipment Reserve	\$0	\$0	\$1,094,992
FY26 Surplus	\$0	\$0	\$595,673
	\$6,825,485	\$5,012,248	\$13,857,598

4) **FOUNDATION CASH**

	2025	2025	2026
	YTD	2nd Quarter	2nd Quarter
FOUNDATION - CASH (Checking)	\$613,816	\$681,526	\$704,551
Foundation Restricted - Cash	\$256,160	\$271,730	\$301,030
Foundation Unrestricted - Cash	\$357,656	\$409,796	\$403,521
	2025	2025	2026
	YTD	2nd Quarter	2nd Quarter
FOUNDATION - Real Estate Holding Company	\$526,448	\$888,338	\$228,603
First National Bank Account	\$120,407	\$106,925	\$33,516
Atlantic Union Bank Account	\$406,041	\$781,413	\$195,087
	2025	2025	2026
	YTD	2nd Quarter	2nd Quarter
FOUNDATION INVESTMENTS			
FOUNDATION - INVESTMENTS			
Foundation CD's	\$351,929	\$340,994	\$351,929
Foundation Endowment	\$1,831,314	\$1,734,658	\$1,970,346
Foundation Investment	\$1,468,483	\$1,391,395	\$1,579,208
TOTAL FOUNDATION - INVESTMENTS	\$3,651,726	\$3,467,047	\$3,901,483

5) **MONEY MOVEMENT**

	October	November	December	Total for 2nd Qtr	Restricted / Unrestricted
FOUNDATION TO IALR					
REIMBURSEMENT FROM ALL OTHER GRANTS	(\$1,466)	(\$752)	\$1,261	(\$957)	UNRESTRICTED
FEDERAL TO IALR					
REIMBURSEMENT FROM DOD-ATDM 3.0	\$0	\$0	\$0	\$0	UNRESTRICTED
REIMBURSEMENT FROM NAVAIR	\$128,071	\$0	\$135,367	\$263,438	UNRESTRICTED
REIMBURSEMENT FROM BFA - SUBMARINE	\$0	\$0	\$0	\$0	UNRESTRICTED
REIMBURSEMENT FROM BFA-RTC LONG LEAD	\$0	\$0	\$0	\$0	UNRESTRICTED
REIMBURSEMENT FROM EB2- ATDM	\$0	\$0	\$0	\$0	UNRESTRICTED
REIMBURSEMENT FROM BFA - SEA CADETS	\$0	\$0	\$0	\$0	UNRESTRICTED
REIMBURSEMENT FROM BFA - HERMLE	\$870,397	\$0	\$0	\$870,397	UNRESTRICTED
REIMBURSEMENT FROM BFA - AFGHAN #5	\$0	\$0	\$0	\$0	UNRESTRICTED
REIMBURSEMENT FROM AUSTAL - AMPRO #1	\$0	\$0	\$0	\$0	UNRESTRICTED
REIMBURSEMENT FROM AUSTAL - BANDSAW	\$25,201	\$0	\$0	\$25,201	UNRESTRICTED
REIMBURSEMENT FROM AUSTAL - AMPRO #3	\$62,256	\$0	\$1,067,250	\$1,129,505	UNRESTRICTED
REIMBURSEMENT FROM DOD - RTC CONSTRUCTION	\$169,278	\$3,741,958	\$0	\$3,911,236	UNRESTRICTED
REIMBURSEMENT FROM ATDM 4.0	\$0	\$0	\$0	\$0	UNRESTRICTED
REIMBURSEMENT FROM ATDM 5.0	\$5,433,345	\$1,607,816	\$4,042,307	\$11,083,468	UNRESTRICTED
IALR TO FOUNDATION					
DONATION TO FOUNDATION	\$0	\$0	\$0	\$0	UNRESTRICTED
Non-Federal to IALR					
REIMBURSE IALR FOR CHW	\$8,037	\$196,679	\$72,621	\$277,338	UNRESTRICTED
REIMBURSE IALR FOR GRANT ACTIVITY	\$0	\$0	\$344,308	\$344,308	UNRESTRICTED



IALR

1. Income Statement
2. Grant and Capital Projects
Activity
3. Statement of Net Position

Institute for Advanced Learning and Research

Income Statement - Budget to Actual QTD & YTD

Period Ending December 31, 2025

	Budget FY26	Actual 09/30/2025 QTD	Actual 12/31/2025 QTD	Total	Over/(Under) Budget 06/30/2026	50% 6 Mo Target Spent
Revenues						
Sales	\$ 987,000	\$ 199,481	\$ 299,180	\$ 498,660	\$ (488,340)	
Program Income	\$ 43,000	\$ 17,907	\$ 22,139	\$ 40,046	\$ (2,954)	
Indirect Cost Recovery	\$ 2,490,832	\$ 770,445	\$ 749,494	\$ 1,519,938	\$ (970,894)	
Recovered Costs	\$ 566,489	\$ 181,181	\$ 85,450	\$ 266,631	\$ (299,858)	
Other Revenue	\$ 90,650	\$ 1,953	\$ 164,799	\$ 166,753	\$ 76,103	
Rental Revenue	\$ 522,541	\$ 130,408	\$ 129,210	\$ 259,618	\$ (262,923)	
Profit Margin	\$ 486,000	\$ 155,086	\$ 156,536	\$ 311,623	\$ (174,377)	
Total Operating Revenues:	\$ 5,186,512	\$ 1,456,461	\$ 1,606,808	\$ 3,063,269	\$ (2,123,243)	
State Appropriation	\$ 8,246,336	\$ 2,061,584	\$ 2,748,421	\$ 4,810,005	\$ (3,436,331)	
VA College Building Authority (VCBA)	\$ 524,172	\$ -	\$ -	\$ -	\$ (524,172)	
Interest Income	\$ 300,000	\$ 117,881	\$ 151,893	\$ 269,774	\$ (30,226)	
Total Non-Operating Revenues:	\$ 9,070,508	\$ 2,179,465	\$ 2,900,314	\$ 5,079,779	\$ (3,990,729)	
Total Revenues:	\$ 14,257,020	\$ 3,635,926	\$ 4,507,122	\$ 8,143,048	\$ (6,113,972)	57.12%
Expenses						
Personnel Costs	\$ 7,034,474	\$ 1,674,114	\$ 1,535,800	\$ 3,209,914	\$ (3,824,560)	
Contractual Services and Consultants	\$ 2,239,403	\$ 471,092	\$ 564,615	\$ 1,035,707	\$ (1,203,696)	
Supplies and Equipment Maintenance	\$ 229,139	\$ 41,120	\$ 33,654	\$ 74,774	\$ (154,365)	
Facility Expense	\$ 1,177,121	\$ 237,747	\$ 367,458	\$ 605,205	\$ (571,916)	
Telecommunication	\$ 102,000	\$ 19,177	\$ 15,794	\$ 34,971	\$ (67,029)	
Utilities	\$ 720,000	\$ 174,793	\$ 190,313	\$ 365,106	\$ (354,894)	
Repairs and Maintenance	\$ 1,198,456	\$ 295,583	\$ 333,264	\$ 628,847	\$ (569,609)	
Equipment Expense	\$ 807,672	\$ 16,065	\$ 19,746	\$ 35,811	\$ (771,861)	
Other Expenses	\$ 498,755	\$ 241,174	\$ 66,522	\$ 307,696	\$ (191,059)	
Depreciation and Amortization	\$ 250,000	\$ 156,113	\$ 156,595	\$ 312,708	\$ 62,708	
Capital Equipment & Construction	\$ -	\$ 92,982	\$ 35,624	\$ 128,606	\$ 128,606	
Total Operating Expenses	\$ 14,257,020	\$ 3,419,959	\$ 3,319,385	\$ 6,739,345	\$ (7,517,675)	
Total Operating Expenses:	\$ 14,257,020	\$ 3,419,959	\$ 3,319,385	\$ 6,739,345	\$ (7,517,675)	47.27%
NET SURPLUS/(DEFICIT)	\$ -	\$ 215,967	\$ 1,187,736	\$ 1,403,703	\$ 1,403,703	9.85%

Note: Internal use only - Non-GAAP Financials

Institute for Advanced Learning and Research

Income Statement - Grant, Contracts and Capital Projects

Period Ending December 31, 2025

	Actual	Actual	Total
	09/30/2025 QTD	12/31/2025 QTD	
Revenues			
Federal Grants-Temporarily Restricted	\$ 70,498	\$ 148,818	\$ 219,316
Nongovernmental Grants and Contracts	\$ 1,696,178	\$ 487,800	\$ 2,183,978
Program Income	\$ 15,197,132	\$ 11,508,906	\$ 26,706,039
Other Revenue	\$ -	\$ 2,081	\$ 2,081
Total Operating Revenues:	\$ 16,963,808	\$ 12,147,607	\$ 29,111,414
Total Revenues:	\$ 16,963,808	\$ 12,147,607	\$ 29,111,414
Expenses			
Personnel Costs	\$ 2,645,572	\$ 2,851,873	\$ 5,497,445
Contractual Services and Consultants	\$ 1,798,047	\$ 2,197,965	\$ 3,996,012
Supplies and Equipment Maintenance	\$ 590,346	\$ 859,863	\$ 1,450,209
Facility Expense	\$ 69,940	\$ 90,148	\$ 160,088
Utilities	\$ 168,538	\$ 140,792	\$ 309,330
Repairs and Maintenance	\$ 36,077	\$ 69,939	\$ 106,016
Equipment Expense	\$ 811,275	\$ 406,519	\$ 1,217,794
Other Expenses	\$ 2,999,214	\$ 3,100,184	\$ 6,099,398
Capital Equipment and Construction	\$ 4,071,792	\$ 4,949,636	\$ 9,021,428
Total Operating Expenses	\$ 13,190,800	\$ 14,666,920	\$ 27,857,720
Total Operating Expenses:	\$ 13,190,800	\$ 14,666,920	\$ 27,857,720
NET SURPLUS/(DEFICIT)	\$ 3,773,008	\$ (2,519,313)	\$ 1,253,694

Note: Internal use only - Non-GAAP Financials

Institute for Advanced Learning and Research

IALR Statement of Net Position

12/31/2024 vs. 12/31/2025 Comparison

	12/31/24 IALR Total	12/31/25 IALR Total	Variance
Assets			
Current Assets:			
Unrestricted			
Cash and Cash Equivalents	\$17,009,496	\$30,342,641	\$13,333,145
Accounts Receivable, net	\$10,154,447	\$5,479,121	(\$4,675,326)
Prepaid Expenses	\$447,384	\$516,015	\$68,631
Interfund	\$153,745	\$162,820	\$9,075
Total Unrestricted Current Assets:	\$27,765,073	\$36,500,597	\$8,735,524
Other Assets:			
Restricted Cash and Cash Equivalents	\$285,385	\$317,722	\$32,337
Total Other Assets:	\$285,385	\$317,722	\$32,337
Total Current Assets:	\$28,050,458	\$36,818,319	\$8,767,861
Noncurrent Assets:			
Net Pension Asset	\$1,225,600	\$1,277,028	\$51,428
Fixed Assets Depreciable	\$95,539,952	\$120,370,822	\$24,830,870
Total Noncurrent Assets:	\$96,765,552	\$121,647,850	\$24,882,298
Total Assets	\$124,816,010	\$158,466,170	\$33,650,159
Deferred Outflows of Resources-VRS Charges	\$226,668	\$501,976	\$275,308
Liabilities and Net Position			
Current Liabilities:			
Accounts payable - Operations	\$3,459,277	\$429,953	(\$3,029,324)
Accrued Payroll and Related Employee Expenses	\$42,193	\$104,105	\$61,911
Deferred Revenue	\$3,982,394	\$5,037,888	\$1,055,494
Customer Deposits	\$75,488	\$69,453	(\$6,035)
Total Current Liabilities:	\$7,559,352	\$5,641,398	(\$1,917,954)
Noncurrent Liabilities			
Long Term Liabilities	\$138,456	\$99,451	(\$39,005)
Total Noncurrent Liabilities:	\$138,456	\$99,451	(\$39,005)
Deferred Inflows of Resources - VRS Investment Income	(\$558,216)	(\$249,218)	\$308,998
Net Position:			
Restricted	\$88,910,997	\$117,353,611	\$28,442,614
Unrestricted	\$27,875,657	\$35,624,467	\$7,748,810
Total Net Position:	\$116,786,654	\$152,978,078	\$36,191,424
Total Liabilities and Net Assets	\$125,042,678	\$158,968,146	\$33,925,467

Advanced Manufacturing **Division**

1. Advanced Manufacturing
Budget to Actual
2. Advanced Manufacturing
Grant & Contract Activity

Institute for Advanced Learning and Research

Income Statement

Manufacturing Advancement Division

		CMA IALR 40-55- xxxx-922	Adv. Manufacturin 40-55-xxxx-923	Capstone 40-55- xxxx-490	Rapid Launch 40-55- xxxx-921	149 Slayton 63-00- xxxx	Adv. Manufacturin Total Budget	CMA IALR Actual	Adv. Manufacturin Actual	Capstone Actual	Rapid Launch Actual	149 Slayton (Fund 40) Actual	149 Slayton (Fund 63) Actual	Total Adv. Manufa Revenue & Expens	Remaining Balance	50.00% 6 Mo Target Spent
Revenues																
14-55-4911	Grants-Center for Advanced Manu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40-55-4211	Reimbursable & Donated Revenue-Center for Advanc	\$ 21,600	\$ -	\$ -	\$ 96,000	\$ -	\$ 117,600	\$ 58,494	\$ -	\$ -	\$ 48,047	\$ -	\$ -	\$ 106,540	\$ 11,060	\$ -
40-55-4425	Optimization Revenue-Center for Advanced Manu	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 11,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,818	\$ 188,182	\$ -
40-55-4426	AMPRO CNC Revenue-Center for Advanced Manu	\$ 655,987	\$ -	\$ -	\$ -	\$ -	\$ 655,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 655,987	\$ -
40-55-4427	AMPRO Metrology-Center for Advanced Manu	\$ 277,200	\$ -	\$ -	\$ -	\$ -	\$ 277,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 277,200	\$ -
40-55-4428	Industry 4.0 Revenue-Center for Advanced Manu	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ -
40-55-4430	Metrology Revenue-Center for Advanced Manu	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000	\$ -
40-55-4431	Emerging Tech Revenue-Center for Advanced Manu	\$ 9,000	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000	\$ -
40-55-4432	Industry Impact Revenue-Center for Advanced Manu	\$ 9,500	\$ -	\$ -	\$ -	\$ -	\$ 9,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,500	\$ -
40-55-4433	Equipment Utilization-Center for Advanced Manu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 348,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 348,745	\$ (348,745)	\$ -
40-55-4435	IALR Support-Center for Advanced Manu	\$ -	\$ 236,574	\$ 394,270	\$ -	\$ -	\$ 630,844	\$ -	\$ 118,287	\$ 197,135	\$ -	\$ -	\$ -	\$ 315,422	\$ 315,422	\$ -
40-55-4511	Partner Office Rental-Center for Advanced Manu	\$ 471,660	\$ -	\$ -	\$ 172,425	\$ -	\$ 644,085	\$ 218,187	\$ -	\$ -	\$ 115,235	\$ -	\$ -	\$ 333,422	\$ 310,663	\$ -
40-55-4711	Indirect Costs-Center for Advanced Manu	\$ 736,875	\$ 1,073,898	\$ -	\$ -	\$ -	\$ 1,810,773	\$ 427,322	\$ 573,095	\$ -	\$ -	\$ -	\$ -	\$ 1,000,416	\$ 810,357	\$ -
40-55-4712	Profits Earned-Center for Advanced Manu	\$ 945,780	\$ 1,184,116	\$ -	\$ -	\$ -	\$ 2,129,896	\$ 579,374	\$ 733,164	\$ -	\$ -	\$ -	\$ -	\$ 1,312,538	\$ 817,358	\$ -
40-55-4713	Equipment Reserve-Center for Advanced Manu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,094,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,094,992	\$ (1,094,992)	\$ -
40-55-4853	CMA Partner Program-Center for Advanced Manu	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -
40-55-4891	Miscellaneous Revenue-Center for Advanced Manu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,902	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,902	\$ (3,902)	\$ -
63-00-4511	Partner Office Rental-General	\$ -	\$ -	\$ -	\$ -	\$ 405,210	\$ 405,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,658	\$ 25,658	\$ 379,553	\$ -
63-00-4991	Interest Revenue-General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319	\$ 319	\$ (319)	\$ -
Total Revenues		\$ 3,437,602	\$ 2,494,588	\$ 394,270	\$ 268,425	\$ 405,210	\$ 7,000,095	\$ 1,643,939	\$ 2,523,439	\$ 197,135	\$ 163,282	\$ -	\$ 25,976	\$ 4,553,772	\$ 2,446,323	65.05%
Expenses																
Staffing																
Total Staffing		\$ 1,283,105	\$ 1,452,744	\$ -	\$ -	\$ -	\$ 2,735,849	\$ 321,009	\$ 609,172	\$ -	\$ -	\$ -	\$ -	\$ 930,180	\$ 1,805,669	34.00%
Other Expenses																
14-55-8956	Equipment-Center for Advanced Manu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40-55-6111	Consulting & Professional Fees-Center for Advanced M	\$ 150,000	\$ 150,000	\$ 214,770	\$ -	\$ -	\$ 514,770	\$ 83,118	\$ 81,806	\$ 51,931	\$ -	\$ -	\$ -	\$ 216,855	\$ 297,915	\$ -
40-55-6121	Legal Fees-Center for Advanced Manu	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 30,000	\$ 5,198	\$ 228	\$ -	\$ -	\$ -	\$ -	\$ 5,426	\$ 44,575	\$ -
40-55-6711	Office Supplies-Center for Advanced Manu	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ 20,000	\$ 794	\$ 1,566	\$ -	\$ -	\$ -	\$ -	\$ 2,359	\$ 17,641	\$ -
40-55-6715	Supplies/Other Operating-Center for Advanced Manu	\$ 5,000	\$ 12,500	\$ -	\$ -	\$ -	\$ 17,500	\$ 44,412	\$ 720	\$ -	\$ 35	\$ -	\$ -	\$ 45,167	\$ (27,667)	\$ -
40-55-6716	Industry 4.0 Expenses-Center for Advanced Manu	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -
40-55-6717	Optimization Expense-Center for Advanced Manu	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -
40-55-6718	Metrology Expense-Center for Advanced Manu	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ -
40-55-6719	Manufacturing Conference Expense-Center for Advanc	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -
40-55-6720	CMA Partner Program Expense-Center for Advanced M	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -
40-55-6721	Postage-Center for Advanced Manu	\$ 1,500	\$ 750	\$ -	\$ -	\$ -	\$ 2,250	\$ 385	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 405	\$ 1,845	\$ -
40-55-6731	Copier Lease-Center for Advanced Manu	\$ 17,658	\$ 3,000	\$ -	\$ -	\$ -	\$ 20,658	\$ 3,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,650	\$ 17,008	\$ -
40-55-6800	HTec Consumables-Center for Advanced Manu	\$ -	\$ -	\$ 7,000	\$ -	\$ -	\$ 7,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ -
40-55-6922	Janitorial-Center for Advanced Manu	\$ 45,000	\$ -	\$ -	\$ 15,640	\$ -	\$ 60,640	\$ 20,657	\$ -	\$ -	\$ 7,383	\$ -	\$ -	\$ 28,039	\$ 32,601	\$ -
40-55-6923	Waste Disposal-Center for Advanced Manu	\$ 12,432	\$ -	\$ -	\$ 8,400	\$ -	\$ 20,832	\$ 5,852	\$ -	\$ -	\$ 2,958	\$ -	\$ -	\$ 8,810	\$ 12,022	\$ -
40-55-6924	Landscaping-Center for Advanced Manu	\$ 43,289	\$ -	\$ -	\$ 16,773	\$ -	\$ 60,062	\$ 23,442	\$ -	\$ -	\$ 9,290	\$ -	\$ -	\$ 32,732	\$ 27,330	\$ -
40-55-6931	Electric-Center for Advanced Manu	\$ 275,000	\$ -	\$ 55,000	\$ 100,000	\$ -	\$ 430,000	\$ 124,024	\$ -	\$ 31,775	\$ 53,967	\$ -	\$ -	\$ 209,766	\$ 220,234	\$ -
40-55-6932	Gas-Center for Advanced Manu	\$ 22,000	\$ -	\$ 10,000	\$ 15,000	\$ -	\$ 47,000	\$ 3,629	\$ 15,000	\$ 3,950	\$ 2,579	\$ -	\$ -	\$ 10,159	\$ 36,841	\$ -
40-55-6933	Water-Center for Advanced Manu	\$ 7,700	\$ -	\$ 500	\$ 2,700	\$ -	\$ 10,900	\$ 2,458	\$ -	\$ 621	\$ 1,186	\$ -	\$ -	\$ 4,265	\$ 6,635	\$ -
40-55-6941	HVAC Service Agreement-Center for Advanced Manu	\$ 71,954	\$ -	\$ -	\$ -	\$ -	\$ 71,954	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,954	\$ -
40-55-6942	Elevator Service Agreement-Center for Advanced Man	\$ 3,900	\$ -	\$ -	\$ -	\$ -	\$ 3,900	\$ 2,344	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,344	\$ 1,556	\$ -
40-55-6945	Fire Pump and Sprinkler System-Center for Advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,033	\$ (1,033)	\$ -
40-55-6948	Fire & Sec System Monitoring-Center for Advanced M	\$ 1,841	\$ -	\$ -	\$ 1,797	\$ -	\$ 3,638	\$ -	\$ -	\$ -	\$ 2,231	\$ -	\$ -	\$ 2,231	\$ 1,407	\$ -
40-55-6960	Repairs & Maintenance-Center for Advanced Manu	\$ 50,000	\$ -	\$ -	\$ 25,000	\$ -	\$ 75,000	\$ 19,484	\$ -	\$ -	\$ 600	\$ -	\$ -	\$ 20,084	\$ 54,916	\$ -
40-55-6965	Maintenance Agreements & Licenses-Center for Advar	\$ 62,690	\$ -	\$ -	\$ 28,617	\$ -	\$ 91,307	\$ 66,066	\$ 11,704	\$ -	\$ 10,992	\$ -	\$ -	\$ 88,761	\$ 2,546	\$ -
40-55-6980	Insurance-Center for Advanced Manu	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ -
40-55-7551	Travel-Center for Advanced Manu	\$ 35,000	\$ 30,000	\$ 5,000	\$ -	\$ -	\$ 70,000	\$ 1,462	\$ 17,020	\$ -	\$ -	\$ -	\$ -	\$ 18,482	\$ 51,518	\$ -
40-55-7571	Business Meals-Center for Advanced Manu	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ 30,000	\$ 1,723	\$ 3,965	\$ -	\$ -	\$ -	\$ -	\$ 5,688	\$ 24,312	\$ -
40-55-8320	Marketing-Center for Advanced Manu	\$ 150,000	\$ 10,000	\$ -	\$ -	\$ -	\$ 160,000	\$ 13,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,919	\$ 146,081	\$ -
40-55-8490	Operating Contingency-Center for Advanced Manu	\$ 567,033	\$ 650,092	\$ 102,000	\$ -	\$ -	\$ 1,319,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,319,125	\$ -
40-55-8510	Equip-Less than Capitalization-Center for Advanced M	\$ 50,000	\$ 25,000	\$ -	\$ -	\$ -	\$ 75,000	\$ 1,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,576	\$ 73,424	\$ -
40-55-8517	Software under 5K-Center for Advanced Manu	\$ 7,500	\$ 10,000	\$ -	\$ -	\$ -	\$ 17,500	\$ 7,569	\$ 1,699	\$ 420	\$ -	\$ -	\$ -	\$ 9,688	\$ 7,812	\$ -
40-55-8956	Equipment-Center for Advanced Manu	\$ 400,000	\$ 150,000	\$ -	\$ -	\$ -	\$ 550,000	\$ 10,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,235	\$ 539,765	\$ -
40-55-8960	Software-Center for Advanced Manu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,716	\$ 9,587	\$ -	\$ -	\$ -	\$ -	\$ 130,303	\$ (130,303)	\$ -

		CMA IALR 40-55- xxxx-922	Adv. Manufacturin 40-55-xxxx-923	Capstone 40-55- xxxx-490	Rapid Launch 40-55- xxxx-921	149 Slayton 63-00- xxxx	Adv. Manufacturin Total Budget	CMA IALR Actual	Adv. Manufacturin Actual	Capstone Actual	Rapid Launch Actual	149 Slayton (Fund 40) Actual	149 Slayton (Fund 63) Actual	Total Adv. Manufa Revenue & Expens	Remaining Balance	50.00% 6 Mo Target Spent	
63-00-6111	Consulting & Professional Fees-General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211	\$ 211	\$ (211)	
63-00-6121	Legal Fees-General	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138	\$ 138	\$ 9,863	
63-00-6715	Supplies/Other Operating-General	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89	\$ 89	\$ 9,911	
63-00-6922	Janitorial-General	\$ -	\$ -	\$ -	\$ -	\$ 8,400	\$ 8,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,305	\$ 1,305	\$ 7,095	
63-00-6923	Waste Disposal-General	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000	
63-00-6924	Landscaping-General	\$ -	\$ -	\$ -	\$ -	\$ 23,907	\$ 23,907	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,607	\$ 15,607	\$ 8,300	
63-00-6931	Electric-General	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,503	\$ 37,503	\$ 62,497	
63-00-6932	Gas-General	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284	\$ 284	\$ 24,716	
63-00-6933	Water-General	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,682	\$ 2,682	\$ 7,318	
63-00-6941	HVAC Service Agreement-General	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	
63-00-6948	Fire & Sec System Monitoring-General	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,696	\$ 2,696	\$ 2,304	
63-00-6960	Repairs & Maintenance-General	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,068	\$ 22,068	\$ 77,932	
63-00-6965	Maintenance Agreements & Licenses-General	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,541	\$ 8,541	\$ 41,459	
63-00-6980	Insurance-General	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000	
63-00-6985	Real Estate Taxes-General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,578	\$ 18,578	\$ (18,578)	
63-00-6990	Interest Expense-General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,903	\$ 143,903	\$ (143,903)	
63-00-8490	Operating Contingency-General	\$ -	\$ -	\$ -	\$ -	\$ 21,903	\$ 21,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,903	
63-00-8510	Equip-Less than Capitalization-General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,266	\$ 8,266	\$ (8,266)	
63-00-8910	Depreciation-General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,858	\$ 75,858	\$ (75,858)	
63-00-8956	Equipment-General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,230	\$ 34,230	\$ (34,230)	
Total		\$ 2,154,497	\$ 1,096,342	\$ 394,270	\$ 213,927	\$ 405,210	\$ 4,264,246	\$ 563,745	\$ 128,314	\$ 88,698	\$ 91,221	\$ -	\$ -	\$ 371,959	\$ 1,243,938	\$ 3,020,308	
Total Expenses		\$ 3,437,602	\$ 2,549,086	\$ 394,270	\$ 213,927	\$ 405,210	\$ 7,000,095	\$ 884,754	\$ 737,485	\$ 88,698	\$ 91,221	\$ -	\$ -	\$ 371,959	\$ 2,174,118	\$ 4,825,977	31.06%
NET SURPLUS/(DEFICIT)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 759,185	\$ 1,785,954	\$ 108,437	\$ 72,060	\$ -	\$ -	\$ (345,983)	\$ 2,379,654	\$ (2,379,654)	33.99%

**Manufacturing Advancement Division
Grants & Contracts Activity**

Advanced Manufacturing Cash Reserve:

Account Beginning Balance	\$	3,000.00
ATDM 1.0	\$	875,598.84
Afghan #1	\$	364.96
Afghan #2	\$	7,820.18
Afghan #3	\$	13,177.83
ATDM 2.0	\$	4,104,330.69
FY23 Surplus	\$	1,377,753.31
FY24 Surplus	\$	1,586,413.31
Withdrawal for Real Estate Purchase	\$	(2,000,000.00)
Bechtel Plant Machinery Inc	\$	380,000.00
Interest	\$	379,671.17
Mitutoyo Partnership	\$	64,000.00
Bechtel Plant Machinery Inc - SIB Workforce Development	\$	43,705.64
FY25 Surplus	\$	5,331,096.59
ATDM Equipment Reserve	\$	1,094,992.00
FY26 Surplus	\$	595,673.00
Afghan #4-6	\$	66,049.31
Total	\$	13,923,646.83

1/15/26

Project is expending as expected with no current concerns
 Project is being watched for potential overages/ Issues
 Project is experiencing potential large deviations from budget and immediate action is being taken

Active Contracts:

ATDM 3.0			
	Budget	Actual	Remaining Balance
Revenue	\$ 21,241,922	\$ 18,198,636	\$ 3,043,286
Expenses	\$ 21,241,922	\$ 18,198,636	\$ 3,043,286
Surplus/ (Deficit)	\$ -	\$ -	\$ -
% Spend		86%	

Austal - AMPRO SOW #2			
	Budget	Actual	Remaining Balance
Revenue	\$ 141,775	\$ 141,775	\$ -
Expenses	\$ 141,775	\$ 83,330	\$ 58,445
Surplus/ (Deficit)	\$ -	\$ 58,445	\$ (58,445)
% Spend		59%	

BFA - Submarine Transportation			
	Budget	Actual	Remaining Balance
Revenue	\$ 81,858	\$ 81,858	\$ -
Expenses	\$ 81,858	\$ 105,367	\$ (23,509)
Surplus/ (Deficit)	\$ -	\$ (23,509)	\$ 23,509
% Spend		129%	
Funding Granted - Awaiting Funding			

BFA - RTC Long Lead			
	Budget	Actual	Remaining Balance
Revenue	\$ 19,215,000	\$ 17,625,447	\$ 1,589,553
Expenses	\$ 19,215,000	\$ 18,553,834	\$ 661,166
Surplus/ (Deficit)	\$ -	\$ (928,386)	\$ 928,386
% Spend		97%	

Austal - AMPRO SOW #1			
	Budget	Actual	Remaining Balance
Revenue	\$ 199,407	\$ 200,000	\$ (593)
Expenses	\$ 199,407	\$ 173,959	\$ 25,448
Surplus/ (Deficit)	\$ -	\$ 26,041	\$ (26,041)
% Spend		87%	

BFA - Mahmood Funding			
	Budget	Actual	Remaining Balance
Revenue	\$ 30,635	\$ 30,635	\$ -
Expenses	\$ 30,635	\$ 24,657	\$ 5,978
Surplus/ (Deficit)	\$ -	\$ 5,978	\$ (5,978)
% Spend		80%	

DOD - RTC Funding			
	Budget	Actual	Remaining Balance
Revenue	\$ 66,731,614	\$ 63,255,074	\$ 3,476,540
Expenses	\$ 66,731,614	\$ 61,876,460	\$ 4,855,154
Surplus/ (Deficit)	\$ -	\$ 1,378,614	\$ (1,378,614)
% Spend		93%	

Afghan Ally #7			
	Budget	Actual	Remaining Balance
Revenue	\$ 79,853	\$ 4,323	\$ 75,529
Expenses	\$ 79,853	\$ 4,323	\$ 75,529
Surplus/ (Deficit)	\$ -	\$ -	\$ -
% Spend		5%	

ATDM 4.0			
	Budget	Actual	Remaining Balance
Revenue	\$ 25,168,546	\$ 24,789,903	\$ 378,643
Expenses	\$ 25,168,546	\$ 25,219,639	\$ (51,093)
Surplus/ (Deficit)	\$ -	\$ (429,736)	\$ 429,736
% Spend		100%	

BFA - NAVAIR			
	Budget	Actual	Remaining Balance
Revenue	\$ 1,605,272	\$ 1,556,196	\$ 49,076
Expenses	\$ 1,605,272	\$ 1,461,565	\$ 143,707
Surplus/ (Deficit)	\$ -	\$ 94,631	\$ (94,631)
% Spend		91%	

Austal - Hermle			
	Budget	Actual	Remaining Balance
Revenue	\$ 2,307,112	\$ 1,563,042	\$ 744,070
Expenses	\$ 2,307,112	\$ 2,293,312	\$ 13,800
Surplus/ (Deficit)	\$ -	\$ (730,270)	\$ 730,270
% Spend		99%	

BFA - Sea Cadets			
	Budget	Actual	Remaining Balance
Revenue	\$ 20,000	\$ 20,000	\$ -
Expenses	\$ 20,000	\$ 21,164	\$ (1,164)
Surplus/ (Deficit)	\$ -	\$ (1,164)	\$ 1,164
% Spend		106%	

Austal - AMPRO SOW #3 & Beyond			
	Budget	Actual	Remaining Balance
Revenue	\$ 13,602,612	\$ 10,576,009	\$ 3,026,603
Expenses	\$ 13,602,612	\$ 10,576,009	\$ 3,026,603
Surplus/ (Deficit)	\$ -	\$ -	\$ -
% Spend		78%	

Austal - Miller Augmented Arc System			
	Budget	Actual	Remaining Balance
Revenue	\$ 398,197	\$ 398,197	\$ -
Expenses	\$ 398,197	\$ 381,683	\$ 16,514
Surplus/ (Deficit)	\$ -	\$ 16,514	\$ (16,514)
% Spend		96%	

ATDM 5.0			
	Budget	Actual	Remaining Balance
Revenue	\$ 35,556,385	\$ 14,787,109	\$ 20,769,276
Expenses	\$ 35,556,385	\$ 13,959,050	\$ 21,597,335
Surplus/ (Deficit)	\$ -	\$ 828,059	\$ (828,059)
% Spend		39%	

Austal - Band Saw			
	Budget	Actual	Remaining Balance
Revenue	\$ 204,672	\$ 202,105	\$ 2,567
Expenses	\$ 204,672	\$ 198,247	\$ 6,424
Surplus/ (Deficit)	\$ -	\$ 3,858	\$ (3,858)
% Spend		97%	

IALR Foundation

1. Combined Statement of Net Position for IALRF & IALRF Real Estate
2. IALRF Restricted Funds Report
3. IALRF Real Estate Income Statement

Institute for Advanced Learning and Research

IALRF & IALRF Real Estate Balance Sheet

12/31/2024 vs 12/31/2025 Comparison

	12/31/24 IALRF Total	12/31/25 IALRF Total	Variance
Assets			
Current Assets:			
Unrestricted			
Cash and Cash Equivalents	\$1,569,863	\$933,154	(\$636,709)
Accounts Receivable, net	(\$4,051)	\$0	\$4,051
Prepaid Expenses	\$0	\$2,819	\$2,819
Interfund	(\$153,745)	(\$162,820)	(\$9,075)
Total Unrestricted Current Assets:	\$1,412,067	\$773,153	(\$638,915)
Total Current Assets:	\$1,412,067	\$773,153	(\$638,915)
Noncurrent Assets:			
Certificate of Deposits	\$340,994	\$351,929	\$10,935
Investments	\$3,126,053	\$3,549,554	\$423,501
Fixed Assets Depreciable	\$10,364,210	\$11,124,654	\$760,444
Total Noncurrent Assets:	\$13,831,258	\$15,026,137	\$1,194,879
Total Assets	\$15,243,325	\$15,799,290	\$555,965
Liabilities and Net Position			
Current Liabilities:			
Accounts payable - Operations	\$4,779,180	\$4,724,589	(\$54,591)
Total Current Liabilities:	\$4,779,180	\$4,724,589	(\$54,591)
Net Position:			
Restricted	\$2,006,388	\$2,271,376	\$264,988
Unrestricted	\$8,457,757	\$8,803,325	\$345,568
Total Net Position:	\$10,464,145	\$11,074,701	\$610,556
Total Liabilities and Net Assets	\$15,243,325	\$15,799,290	\$555,965

Restricted Cash Foundation

Advanced Learning		
Mid - Atlantic Broadband Communitites	\$	1,500
Capstone		
Gene Haas Foundation	\$	157,931
MFG Host Funding	\$	17,500
AutoDesk	\$	25,000
SME Education Foundtion	\$	5,000
BWX Technologies	\$	4,000
Misc Program Donations	\$	300
Advanced Manufacturing		
NWI Draper Family Scholarship	\$	7,353
IALR Internal Restriction		
Internally Restricted Funds	\$	82,446
Restricted for Grants, Scholarships & Internal	\$	301,030
Restricted for HAAS Endowment	\$	1,970,346
Total Restricted	\$	2,271,376
Total Unrestricted Cash	\$	403,521

Institute for Advanced Learning and Research

IALRF Real Estate Holding Company

Period Ending December 31, 2025

	Budget FY25	Actual 09/30/2025 QTD	Actual 12/31/2025 QTD	Total	Over/(Under) Budget 06/30/2026
Revenues					
Rental Revenue	\$405,210	\$12,392	\$13,266	\$25,658	(\$379,553)
Total Operating Revenues:	\$405,210	\$12,392	\$13,266	\$25,658	(\$379,553)
Interest Income	\$0	\$149	\$170	\$319	\$319
Total Non-Operating Revenues:	\$0	\$149	\$170	\$319	\$319
Total Revenues:	\$405,210	\$12,541	\$13,436	\$25,976	(\$379,234)
Expenses					
Contractual Services and Consultants	\$10,000	\$228	\$121	\$349	(\$9,652)
Supplies and Equipment Maintenance	\$10,000	\$0	\$89	\$89	(\$9,911)
Facility Expense	\$78,307	\$11,062	\$8,547	\$19,609	(\$58,698)
Utilities	\$135,000	\$16,861	\$23,607	\$40,469	(\$94,531)
Repairs and Maintenance	\$150,000	\$19,370	\$11,239	\$30,609	(\$119,391)
Equipment Expense	\$0	\$0	\$8,266	\$8,266	\$8,266
Other Expenses	\$21,903	\$72,503	\$89,979	\$162,481	\$140,578
Depreciation and Amortization	\$0	\$37,644	\$38,214	\$75,858	\$75,858
Total Operating Expenses	(\$405,210)	(\$157,666)	(\$180,063)	(\$337,729)	\$67,481
Total Operating Expenses:	\$405,210	\$157,666	\$180,063	\$337,729	(\$67,481)
NET SURPLUS/(DEFICIT)	\$0	(\$145,126)	(\$166,627)	(\$311,753)	(\$311,753)

**THE INSTITUTE FOR
ADVANCED LEARNING AND RESEARCH
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

THE INSTITUTE FOR ADVANCED LEARNING AND RESEARCH
(A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA)
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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FINANCIAL SECTION



Independent Auditors' Report

**To the Members of the Board of Trustees
The Institute for Advanced Learning and Research
Danville, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Institute for Advanced Learning and Research, component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Institute for Advanced Learning and Research, as of June 30, 2025, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 Institute for Advanced Learning and Research, and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute for Advanced Learning and Research's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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 Institute for Advanced Learning and Research'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 Institute for Advanced Learning and Research's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension funding be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Institute for Advanced Learning and Research's basic financial statements. The accompanying supplementary financial statements and 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*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 November 26, 2025, on our consideration of the Institute for Advanced Learning and Research'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 Institute for Advanced Learning and Research'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 Institute for Advanced Learning and Research's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2025

**The Institute for Advanced Learning and Research
Management's Discussion and Analysis
For the Year Ended June 30, 2025**

As management of The Institute for Advanced Learning and Research, (the "IALR"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the IALR for the fiscal year ended June 30, 2025.

General Overview

The Institute for Advanced Learning and Research (IALR) serves as a regional catalyst for economic transformation through advanced learning including workforce development, applied research, economic development, Advanced Manufacturing and The Conference Center.

The IALR receives funding from the Commonwealth of Virginia, Federal and Non-Federal grants that support research and educational programs. The IALR is governed by a fifteen member Board of Trustees consisting of the Presidents or their designees of Averett University, Danville Community College and Virginia Polytechnic Institute and State University; the chairman or his designee of the Board of the Future of the Piedmont Foundation; one resident of the City of Danville appointed by the Danville City Council; one resident of Pittsylvania County appointed by the Pittsylvania County Board of Supervisors; and nine citizens representing business and industry and residing in Southside Virginia, three appointed by the Governor, three appointed by the Senate Committee on Rules and three appointed by the Speaker of the House of Delegates.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the IALR's basic financial statements. Since the IALR is engaged only in business - type activities its basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the IALR's finances. Under GASB, related organizations should be considered component units of the primary entity if the following criteria is met; 1) hold resources entirely or almost entirely for the direct benefit of the IALR, where the IALR has the ability to access a majority of those resources and those resources are significant to the IALR. Given this criteria, the IALR financials include The Institute for Advanced Learning and Research Foundation and the wholly owned Real Estate Holding Company.

The *statement of net position* presents information on the Authority's 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless

of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The basic financial statements can be found on pages 9 through 11 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 12 through 35.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the IALR's financial position. In the case of the IALR, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$151,640,047 and \$112,618,858, at June 30, 2025 and 2024, respectively.

Financial Highlights

- Cash and Equivalents increased by \$791,039 from FY24 primarily due to the timing of contract reimbursement for the ongoing construction of the MTC building and DOD-ATDM earned contract revenue.
- Depreciable capital assets increased during FY25 due to increased equipment purchases for CMA operations as well as leasehold improvements and equipment for the ATDM program.
- Operating revenue increased by \$3,392,665 over FY24 due to ATDM contract revenues and MTC construction reimbursement contract revenues.

Exhibit 1 presents the Condensed Statement of Net Position for The Institute for Advanced Learning and Research and its component unit (Foundation) for the year ended June 30, 2025. At June 30, 2025, and 2024, unrestricted net position was \$35,898,126 and \$32,107,651, respectively. Of total net position, unrestricted net position represented 24% and 29% for fiscal years 2025 and 2024, respectively.

The Institute for Advanced Learning and Research

Condensed Financial Information
As of June 30, 2025 (With Comparative Totals As Of June 30, 2024)

	2025	2024
<u>ASSETS</u>		
Current Assets	\$ 43,169,849	\$ 39,986,691
Noncurrent Assets	126,355,837	87,501,041
Total assets	<u>\$ 169,525,686</u>	<u>\$ 127,487,732</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total deferred outflows of resources	<u>\$ 501,976</u>	<u>\$ 226,668</u>
<u>LIABILITIES</u>		
Current Liabilities (due within one year)	\$ 13,467,056	\$ 14,502,712
Noncurrent Liabilities	4,671,341	34,614
Total liabilities	<u>\$ 18,138,397</u>	<u>\$ 14,537,326</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Total deferred inflows of resources	<u>\$ 249,218</u>	<u>\$ 558,216</u>
<u>NET POSITION</u>		
Net investment in capital assets	\$ 114,226,909	\$ 79,038,221
Restricted	1,515,012	1,472,986
Unrestricted	35,898,126	32,107,651
Total net position	<u>\$ 151,640,047</u>	<u>\$ 112,618,858</u>

Total Current Assets have increased from FY24 to FY25 for the following reason:

- Cash and equivalents have increased due to reimbursement of programmatic and construction contract revenues.
- In addition, accounts receivable increased by approximately \$3.8 million.

Depreciable assets increased during FY25 due to capital projects and equipment purchases completed throughout the year.

Total liabilities increased in FY25 by \$3,601,071 over FY24 due to the issuance of approximately \$4.8 million in debt as offset by a decrease in accounts payable.

Exhibit 2 presents the Condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2025.

Exhibit 2

The Institute for Advanced Learning and Research

Condensed Financial Information

For the Year Ended June 30, 2025 (With Comparative Totals for the Year Ended June 30, 2024)

	2025	2024
Operating Revenues:		
Total operating revenues	\$ 30,484,373	\$ 27,091,708
Operating Expenses:		
Total operating expenses	\$ 43,182,471	\$ 34,816,560
Operating income (loss)	\$ (12,698,098)	\$ (7,724,852)
Nonoperating Revenues (Expenses):		
Total nonoperating revenues (expenses)	\$ 13,053,922	\$ 14,082,008
Income (loss) before grants	\$ 355,824	\$ 6,357,156
Equipment and construction capital contributions:		
Capital grants	\$ 38,665,365	\$ 36,353,202
Change in net position	\$ 39,021,189	\$ 42,710,358
Net position, beginning of year	112,618,858	69,908,500
Net position, end of year	\$ 151,640,047	\$ 112,618,858

Statement of Revenues, Expenses and Changes in Net Position Overview:

- Operating revenues increased by \$3.4 million due to increased manufacturing advancement programmatic contract revenues.
- Operating expenses increased in FY25 by \$8.3 million over FY24 due to variety of items including:
 - An increase in personnel due to expanding federal contract activity.
 - Facilities and equipment maintenance cost increases due to CMA facility being fully operational during FY25 and phase I Equipment of the MTC building coming online in FY25.

Outlook:

The IALR's management considers its financial condition to be well positioned for today as well as the future. The IALR is continuing to grow and foster new partnerships in the areas of advanced learning, applied research, economic development, manufacturing advancement and conference services. Each new collaboration allows The IALR to continue to strive to be a leader of economic transformation for the Southern Virginia region.

Requests for Information

This financial report is designed to provide our citizens, customers, potential investors and creditors with a general overview of the Institute's finances and to demonstrate accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Institute at 150 Slayton Avenue, Danville, VA 24540, telephone (434-766-6700), or visit the Institute's web site at www.ialr.org.

Basic Financial Statements

The Institute for Advanced Learning and Research

Statement of Net Position
As of June 30, 2025

<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 21,824,639
Accounts receivable, net of allowance for uncollectibles	11,579,293
Grant receivable	582,671
Capital grant receivable	4,571,084
Leases receivable	43,639
Investments	3,651,726
Prepaid items	599,075
Restricted Assets:	
Cash and cash equivalents-Insurance funds held by trustee	317,722
Total current assets	\$ 43,169,849
Noncurrent Assets:	
Net pension asset	\$ 1,277,028
Capital Assets:	
Nondepreciable capital assets	68,234,681
Depreciable capital assets, net of accumulated depreciation	56,844,128
Total noncurrent assets	\$126,355,837
Total assets	\$169,525,686
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related items	\$ 501,976
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable - operations	\$ 2,005,882
Accounts payable - construction	6,115,320
Accrued payroll and related employee expenses	160,925
Interest payable	20,522
Unearned revenue	4,818,206
Customer deposits	92,205
Health insurance claims IBNR	79,738
Compensated absences - current portion	81,764
Note payable - current portion	92,494
Total current liabilities	\$ 13,467,056
Noncurrent Liabilities:	
Compensated absences - net of current portion	\$ 27,255
Note payable - net of current portion	4,644,086
Total noncurrent liabilities	\$ 4,671,341
Total liabilities	\$ 18,138,397
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related items	\$ 201,290
Lease related items	47,928
Total deferred inflows of resources	\$ 249,218
<u>NET POSITION</u>	
Net investment in capital assets	\$114,226,909
Restricted	
Net pension asset	1,277,028
Health insurance funds	237,984
Unrestricted	35,898,126
Total net position	\$151,640,047

The accompanying notes to the financial statements are an integral part of this statement.

The Institute for Advanced Learning and Research

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

Operating Revenues:	
Conference center sales and services (incl. catering)	\$ 873,276
Café sales	164,884
Contract revenue	39,319
Program income	27,992,573
Rental revenues	814,883
Recovered costs	458,320
Other revenues	141,118
	<hr/>
Total operating revenues	\$ 30,484,373
Operating Expenses:	
Personnel costs	\$ 16,412,703
Contractual services and consultants	5,371,482
Supplies and equipment maintenance	2,395,192
Facilities	1,854,493
Telecommunications	99,761
Utilities	1,398,566
Insurance	4,835
Repairs and maintenance	921,444
Project expense	2,613,492
Taxes	37,156
Travel	441,514
Marketing and advertising	791,348
Miscellaneous	409,734
Memberships	25,819
Student support services	594,317
Depreciation	6,188,088
Scholarships	3,622,027
Donations	500
	<hr/>
Total operating expenses	\$ 43,182,471
Operating income (loss)	\$ (12,698,098)
Nonoperating Revenues (Expenses):	
State appropriations	\$ 8,040,903
Grant income	4,531,214
Investment expense	(26,965)
Realized gain (loss) on investment	592,653
Unrealized gain (loss) on investment	(399,916)
Interest expense	(237,624)
Interest income	553,657
	<hr/>
Total nonoperating revenues (expenses)	\$ 13,053,922
Income (loss) before capital contributions	\$ 355,824
Equipment and construction capital contributions:	
Capital grants	\$ 38,305,365
Contributions for capital related items	360,000
	<hr/>
Total equipment and construction grants	\$ 38,665,365
Change in net position	\$ 39,021,189
Net position, beginning of year	112,618,858
	<hr/>
Net position, end of year	\$ 151,640,047
	<hr/>

The accompanying notes to the financial statements are an integral part of this statement.

THE INSTITUTE FOR ADVANCED LEARNING AND RESEARCH
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2025

Note 1 - Summary of Significant Accounting Policies:

The Institute for Advanced Learning and Research (“Institute”) was established to develop and attract technology and talent critical to Southside Virginia’s economic transition from a tobacco and textile centered economy to a more technology centered economy. This transition will be accomplished through advanced learning, strategic research and technology transfer, conference center activities, outreach programs, and technology infrastructure development. The Institute is a political subdivision of the Commonwealth of Virginia chartered in 2002, under the Sections 23-231.19 through 23-231.23 of the Code of Virginia. It is primarily funded through appropriations from the Commonwealth of Virginia and other governmental and nongovernmental grants, contributions, and the revenues generated by the services it provides.

The Institute is governed by a fifteen-member Board of Trustees consisting of the presidents or their designees of Averett University, Danville Community College, and Virginia Polytechnic Institute and State University; the chairman or his designee of the Board of the Future of the Piedmont Foundation; one resident of the City of Danville appointed by the Danville City Council; one resident of Pittsylvania County appointed by the Pittsylvania County Board of Supervisors; and nine citizens representing business and industry and residing in Southside Virginia, three appointed by the Governor, three appointed by the Senate Committee on Rules, and three appointed by the Speaker of the House of Delegates. All members are to be nonelected citizens of the Commonwealth of Virginia.

A. Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has determined that, under certain circumstances, related organizations should be considered component units of a primary entity and, as such, reported as part of the primary entity. In so doing, GASB established criteria for determining whether a related entity should be reported as a component unit and under different circumstances, how component units must be presented. In defining the Institute as a primary reporting entity, related organizations were evaluated for possible inclusion, using the criteria established by the GASB. The criteria would require the reporting entity to include entities that hold resources entirely or almost entirely for the direct benefit of the Institute where the Institute has the ability to access a majority of those resources and those resources are significant to the Institute. Based on these criteria, the financial statements of the Institute include the Institute for Advanced Learning and Research Foundation as a component unit whose assets, liabilities, income, and expenses have been blended with those of the Institute. The financial statements of the Institute also include the Institute for Advanced Learning and Research Foundation. The Institute is considered to be a component unit of the Commonwealth of Virginia.

B. Component Units

The Institute for Advanced Learning and Research Foundation (“Foundation”) is a non-stock, non-profit corporation that has received tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Foundation’s bylaws establish that the majority of the Board of Directors of the Foundation must be members of the Institute’s Board of Trustees. The Foundation was established for the express purpose of providing support to and promoting the advancement of the aims and purpose of the Institute. The IRS granted the Foundation exempt status on July 27, 2006.

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Component Units (Continued)

The Institute for Advanced Learning and Research Foundation Real Estate Holding Company (“Foundation Real Estate Holding”) is a non-stock, non-profit corporation that has received tax-exempt status under Section 501(c)(2) of the Internal Revenue Code. The Foundation Real Estate Holding’s bylaws establish that the majority of the Board of Directors of the Foundation Real Estate Holding must be members of the Foundation. The Foundation Real Estate Holding was established for the express purpose to hold title to property, collect income therefrom, if any, and turn over the entire amount thereof, less expenses, to the Foundation. The IRS granted the Foundation Real Estate Holding exempt status on July 30, 2024.

C. Basis of Presentation

The Institute follows business-type activities requirements which provides that the following sections be included in the annual financial report:

1. Management discussion and analysis
2. Basic financial statements including a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows
3. Notes to the financial statements
4. Required supplementary information including schedules related to pension funding

Presented in other supplementary information are combining statements showing the Institute’s component units, the Foundation and Foundation Real Estate Holding. Interfund activity has been eliminated through June 30, 2025.

D. Basis of Accounting

For financial reporting purposes, the Institute is considered a special-purpose government, engaged only in business-type activities. Accordingly, the Institute’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

E. Revenue and Expense Classifications

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) sales and services through the conference center, net of discounts, (2) federal, state, and nongovernmental grants and contracts, (3) sales and services through auxiliary programs, net of discounts, and (4) other revenue generated from operations.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including gifts, and other revenue sources.

Nonoperating expenses include interest on debt related to the purchase of capital assets and losses on the disposal of capital assets. All other expenses are classified as operating expenses.

Note 1 - Summary of Significant Accounting Policies: (Continued)

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Institute has one item that qualifies for reporting in this category. It is comprised of certain items related to pension. For more detailed information on this item, see note 7.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Institute has two types of items that qualify for reporting in this category. Certain items related to lease receivables and pension are reported as deferred inflows of resources. For more detailed information on these items, see note 1.0. and note 7.

G. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Institute will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Institute's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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Note 1 - Summary of Significant Accounting Policies: (Continued)

H. Capital Assets

Capital assets are stated at cost or, if donated, at acquisition value on the date acquired. Equipment costing \$5,000 or more with a useful life of 2 years or more is capitalized and depreciated over its estimated life using straight-line depreciation. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Computer hardware	3
Computer software	3
Furniture and equipment	3-5
Leasehold improvements	9-14
Buildings	40

I. Income Tax Status

The Institute is classified as a political subdivision of the Commonwealth of Virginia and, as noted, the Foundation and the Foundation Real Estate Holding have been granted tax exempt status, therefore, the reporting units are exempt from federal income tax.

J. Use of Estimates

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

K. Compensated Absences

All full-time employees receive paid annual leave for vacations and other personal needs. The rate at which annual leave is accrued depends on length of service. Employees with less than twenty years of service earn annual leave at a rate of seven hours per semimonthly pay period and those with over twenty years earn it at eight hours per period. Compensated absences are recorded as an operating expense in the period earned rather than when paid. Employees may accumulate unused annual leave; however, the amount of annual leave that can be carried forward from year to year is limited to a maximum of 120 hours. Accrued annual leave is paid to employees who resign or terminate, subject to the same 120 hour limitation.

All full-time employees earn eighty hours of sick leave at the beginning of each fiscal year. If an employee is hired during the fiscal year, the number of sick leave hours allowed are prorated based on the date of hire. There is no carryover of unused sick leave into the next year, nor is it paid upon separation of employment from the Institute.

Note 1 - Summary of Significant Accounting Policies: (Continued)

L. Group Hospitalization and Life Insurance

Full-time employees are eligible to participate in the Institute's group hospitalization insurance program. The Institute contributes the cost of coverage for full-time employees in regular positions. All full-time employees participate in a group life insurance program with the total premium cost paid by the Institute.

M. Cash and Cash Equivalents

The Institute's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the Institute's funds consider their demand deposits and all highly liquid investment with an original maturity of three months or less when purchased to be cash equivalents.

N. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Institute's Retirement Plan and the additions to/deductions from the Institute's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Leases

The Institute is a lessor for noncancellable leases of building space(s). A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases

Lessor

The Institute recognizes leases receivable and deferred inflows of resources. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

Note 1 - Summary of Significant Accounting Policies: (Continued)

O. Leases (Continued)

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Institute uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Institute uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Institute monitors changes in circumstances that would require a remeasurement or modification of its leases. The Institute will remeasure the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 2 - Deposits and Investments:

Deposits: Deposits for the Institute with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits of the Institute are considered fully collateralized; however, certain deposits of the Foundation (a blended component unit of the Foundation) are not fully collateralized, as described below.

Restricted cash in the amount of \$317,722 is held with the Virginia Tech Foundation for the payment of employee health insurance claims. This amount less estimated outstanding health claims of \$79,738 is reported as restricted net position (health insurance funds) of \$237,984.

Custodial Credit Risk: Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name.

Note 2 - Deposits and Investments: (Continued)

The following accounts were exposed to custodial credit risk:

Account	Bank	Bank Balance	Insured by FDIC	Uninsured	Credit Risk
Foundation Checking	Atlantic Union Bank	\$ 613,961	\$ 250,000	\$ 363,961	1
Foundation CD	Atlantic Union Bank	351,929	-	351,929	1
		\$ 965,890	\$ 250,000	\$ 715,890	

Investments: Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). Investments of the Foundation are not subject to restrictions as set forth in the Code above.

As of June 30, 2025, the Institute did not hold any investments. The fair value of investments of the Foundation at June 30, 2025, were as follows:

Certificate of deposit	\$ 351,929
Debt securities	1,330,062
Equity securities	1,830,630
Money market	139,105
Total investments	\$ 3,651,726

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Note 2 - Deposits and Investments: (Continued)

Credit Risk of Debt Securities: The Foundation's debt investments as of June 30, 2025 were rated by Moody's and the ratings are presented below.

Rated Debt Investments' Value		
Rated Debt Investments	Fair Quality Ratings	Market Value
Moody's		
Government Agency Bonds	Aa1	\$ 40,409
Not Rated		
Exchange Traded Funds	Not Rated	1,344,209
Money Market Funds	Not Rated	139,105
Stocks	Not Rated	1,776,074
Negotiable Certificate	Not Rated	351,929
Total		\$ 3,651,726

Interest Rate Risk: An investment policy for interest rate risk has not been adopted. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)					
Investment Type	Fair Value	1 Year	1-5 Years	5-10 Years	Greater than 10 Years
Exchange Traded Funds	\$ 1,344,209	\$1,344,209	\$ -	\$ -	\$ -
Government Agency Bonds	40,409	-	-	-	40,409
Stocks	1,776,074	1,776,074	-	-	-
Negotiable Certificate	351,929	351,929	-	-	-
Totals	\$ 3,512,621	\$3,472,212	\$ -	\$ -	\$ 40,409

Concentration of Credit Risk: The Foundation did not have any investments requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Note 3 - Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Institute categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Institute maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Institute has the following recurring fair value measurements as of June 30, 2025:

	6/30/2025	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Debt Securities	\$ 1,330,062	\$ 1,330,062	\$ -	\$ -
Negotiable CD	351,929	351,929	-	-
Equity Securities	1,830,630	1,830,630	-	-
Total	\$ 3,512,621	\$ 3,512,621	\$ -	\$ -

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THE INSTITUTE FOR ADVANCED LEARNING AND RESEARCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2025

Note 4 - Accounts, Grant, and Capital Grant Receivable:

Accounts, grant, and capital grant receivables consist of the following at June 30, 2025:

Trade accounts receivable	\$	248,707
Contracts receivable		13,745,761
State receivables		1,273,485
Federal receivables		193,093
Other receivables		1,272,002
Total accounts, grant, and capital grant receivables	\$	<u>16,733,048</u>

Note 5 - Restrictions on Net Position:

Net position amounts were restricted as follows:

Health insurance funds at VT Foundation	\$	237,984
Net pension asset		<u>1,277,028</u>
Total restricted net position	\$	<u>1,515,012</u>

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THE INSTITUTE FOR ADVANCED LEARNING AND RESEARCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2025

Note 6 - Capital Assets:

The following is a summary of changes in capital assets for the year ended June 30, 2025:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Nondepreciable capital assets:				
Construction in progress	\$ 38,452,584	\$ 29,782,097	\$ -	\$ 68,234,681
Total nondepreciable capital assets	<u>\$ 38,452,584</u>	<u>\$ 29,782,097</u>	<u>\$ -</u>	<u>\$ 68,234,681</u>
Depreciable capital assets:				
Computer hardware	\$ 1,562,841	\$ 100,018	\$ -	\$ 1,662,859
Computer software	199,498	1,050,523	-	1,250,021
Furniture and equipment	31,703,463	7,721,368	(38,712)	39,386,119
Leasehold improvements	7,476,808	313,990	-	7,790,798
Buildings	31,750,983	6,067,098	-	37,818,081
Total depreciable capital assets	<u>\$ 72,693,593</u>	<u>\$ 15,252,997</u>	<u>\$ (38,712)</u>	<u>\$ 87,907,878</u>
Accumulated depreciation:				
Computer hardware	\$ (1,305,484)	\$ (193,155)	\$ -	\$ (1,498,639)
Computer software	(186,285)	(12,037)	-	(198,322)
Furniture and equipment	(15,870,131)	(4,673,887)	38,712	(20,505,306)
Leasehold improvements	(3,898,713)	(392,973)	-	(4,291,686)
Buildings	(3,653,761)	(916,036)	-	(4,569,797)
Total accumulated depreciation	<u>\$ (24,914,374)</u>	<u>\$ (6,188,088)</u>	<u>\$ 38,712</u>	<u>\$ (31,063,750)</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$ 47,779,219</u>	<u>\$ 9,064,909</u>	<u>\$ -</u>	<u>\$ 56,844,128</u>
Total capital assets, net of accumulated depreciation	<u>\$ 86,231,803</u>	<u>\$ 38,847,006</u>	<u>\$ -</u>	<u>\$ 125,078,809</u>

Note 7 - Pension Plan:

Plan Description

All full-time, salaried permanent (professional) employees of the Institute are automatically covered by a VRS Retirement Plan upon employment, unless they are eligible faculty and choose to enroll in the optional retirement program described in Note 8. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Note 7 - Pension Plan: (Continued)

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Note 7 - Pension Plan: (Continued)

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	12
Inactive members:	
Vested inactive members	17
Non-vested inactive members	22
Inactive members elsewhere in VRS	9
Active members	<u>57</u>
 Total covered employees	 <u><u>117</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Institute's contractually required employer contribution rate for the year ended June 30, 2025 was 3.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Institute were \$307,555 and \$226,084 for the years ended June 30, 2025 and June 30, 2024, respectively.

Note 7 - Pension Plan: (Continued)

Contributions (continued)

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$62,626 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$52,281 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$6,262,618 for the year ended June 30, 2025.

Net Pension Asset

The net pension asset is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Institute's net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Institute's Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

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Note 7 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service-related

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

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Note 7 - Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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Note 7 - Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return**
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
		*Expected arithmetic nominal return	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.5% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

**On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Note 7 - Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 3,851,769	\$ 5,077,369	\$ (1,225,600)
Changes for the year:			
Service cost	\$ 408,863	\$ -	\$ 408,863
Interest	282,057	-	282,057
Differences between expected and actual experience	270,965	-	270,965
Contributions - employer	-	226,084	(226,084)
Contributions - employee	-	276,077	(276,077)
Net investment income	-	513,593	(513,593)
Benefit payments, including refunds of employee contributions	(164,008)	(164,008)	-
Administrative expenses	-	(2,580)	2,580
Other changes	-	139	(139)
Net changes	\$ 797,877	\$ 849,305	\$ (51,428)
Balances at June 30, 2024	\$ 4,649,646	\$ 5,926,674	\$ (1,277,028)

Note 7 - Pension Plan: (Continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Institute using the discount rate of 6.75%, as well as what the Institute's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>Rate</u>		
	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Institute's			
Net Pension Liability (Asset)	\$ (608,405)	\$ (1,277,028)	\$ (1,782,998)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the Institute recognized pension expense of \$(62,735). At June 30, 2025, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 194,421	\$ 60,828
Net difference between projected and actual earnings on pension plan investments	-	140,462
Employer contributions subsequent to the measurement date	<u>307,555</u>	<u>-</u>
Total	<u>\$ 501,976</u>	<u>\$ 201,290</u>

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Note 7 - Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$307,555 reported as deferred outflows of resources related to pensions resulting from the Institute’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

	<u>Year ended June 30</u>	
	2026	\$ (95,512)
	2027	109,594
	2028	10,959
	2029	(31,910)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 8 - Optional Retirement Plan:

Pension Description

Full-time faculty and certain administrative staff members participate in a defined contribution plan administered by two providers. The two providers are TIAA/CREF Insurance Company and Fidelity Investments. Benefits under this plan vest immediately.

Funding Policy

The Institute’s contribution rate for the fiscal years ended June 30, 2025 and 2024 was 10.40% of annual covered payroll for Plan 1 members (members hired prior to June 30, 2010). The Institute’s contribution rate for the fiscal years ended June 30, 2025 and 2024 was 8.50% (not including the 5% member contribution not assumed by the Institute) of annual covered payroll for Plan 2 members (members hired after June 30, 2010). Annual covered payroll for the years ended June 30, 2025 and June 30, 2024, amounted to \$1,919,135 and \$1,125,357, respectively.

Annual Pension Cost

The Institute’s annual pension cost for the fiscal years ended June 30, 2025 and 2024 was \$157,755 and \$97,584, respectively.

THE INSTITUTE FOR ADVANCED LEARNING AND RESEARCH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2025

Note 9 - Long-Term Obligations:

The following is a summary of long-term obligation transactions for the year ended June 30, 2025:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Direct borrowings and direct placements:				
Note payable	\$ -	\$ 4,800,000	\$ (63,420)	\$ 4,736,580
Compensated absences	138,456	74,405	(103,842)	109,019
Total	<u>\$ 138,456</u>	<u>\$ 4,874,405</u>	<u>\$ (167,262)</u>	<u>\$ 4,845,599</u>

Details of the long-term obligations at June 30, 2025 are as follows:

	Interest Rates	Issue Date	Maturity Date	Original Amount	Balance	Due Within One Year
Direct borrowings and direct placements:						
Note payable	6.00%	9/5/2024	2030	\$ 4,800,000	\$ 4,736,580	\$ 92,494
Other long-term obligations						
Compensated absences	n/a	n/a	n/a	n/a	109,019	81,764
Total long-term obligations					<u>\$ 4,845,599</u>	<u>\$ 174,258</u>

In the event of default occurs with the note payable, the principal, interest, and all other fees of the note may be declared immediately due and payable to the owner of the note.

The following is a summary of principal and interest payment requirements to amortize long-term debt:

Year Ended June 30,	Direct Borrowings and Direct Placements	
	Principal	Interest
2026	\$ 92,494	\$ 281,534
2027	98,199	275,829
2028	104,256	269,773
2029	110,686	263,342
2030	4,330,945	64,785
Total	<u>\$ 4,736,580</u>	<u>\$ 1,155,263</u>

Note 10 - Unearned Revenue:

Grant funds received but not expended at fiscal year-end are carried as unearned revenue until such time as they are expended. Funds unexpended at the end of the grant term, generally June 30, would be refunded to the grantor unless an approved reallocation is granted. At June 30, 2025, the Institute had unearned revenue from federal, state, and other sources totaling \$4,818,206.

THE INSTITUTE FOR ADVANCED LEARNING AND RESEARCH
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 AS OF JUNE 30, 2025

Note 11 - Leases Receivable:

The following is a summary of leases receivable transactions of the Institute for the year ended June 30, 2025:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	\$ 313,389	\$ -	\$ (269,750)	\$ 43,639	\$ 5,386

Lease revenue recognized, reported as rental revenue, during the fiscal year was \$265,445.

Details of leases receivable:

Lease Description	Start Date	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
Building	9/15/2023	9/24/2025	Monthly	3.40%	\$ 43,639	\$ 43,639
Total					\$ 43,639	\$ 43,639

There are no variable payments for any of the lease receivables above.

Note 12 - Contingencies:

The Institute has received grants for specific purposes that are subject to audit by grantor agencies. Grant resources are generally conditional upon their use for allowable purposes, compliance with the terms and conditions of grant agreements, and applicable federal regulations. Any disallowance resulting from a federal audit may become a liability to the Institute. In the opinion of management, future disallowances of current grant program expenditures, if any, would be immaterial.

The Institute is also required to comply with various guidelines issued by the Office of Management and Budget (OMB). Failure to comply with certain system requirements issued by OMB may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. As of June 30, 2025, the Institute estimated that no material liabilities will result from such audits or questions.

The Institute has approved a 2025 bonus and performance plan. Under the plan, the Board has approved payments totaling \$158,122, which have been recorded as a liability in the accompanying financial statements. The Board may approve additional payments going forward. Additional payments will be based on the Institute performance for the year ended June 30, 2025. Such payments cannot be reasonably estimated at this time and accordingly no amount has been accrued in the financial statements.

Note 13 - Risk Management:

The Institute is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. There have been no significant reductions in insurance coverage from the previous fiscal year. The Institute assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

Note 14 - Economic Dependency:

The Institute is dependent upon state and federal funding to maintain its operations. Should these sources of funding be discontinued or significantly curtailed, there could be substantial doubt about the ability of the Institute to continue as a going concern.

Note 15 - Related Party Transactions:

Transactions between the previously mentioned related parties during the year which have been eliminated in the combining statement are below:

Description	IALR	Foundation	Foundation Real Estate Holding
Due to/(due from)	\$ 143,693	\$ 1,871,782	\$ (2,015,475)
Transfer of capital assets	-	(60,000)	60,000
Program income/miscellaneous expense	28,741	(28,741)	-

Note 16 - Health Insurance Claims (IBNR):

The Institute contributes to a limited risk management program for health insurance. Premiums are paid into the health plan at the Virginia Tech Foundation and are available to pay claims, and administrative costs of the program. During the fiscal year 2025, a total of \$2,095,154 was paid in benefits and administrative costs by the Institute. The risk assumed by the Institute is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type. As of June 30, 2025, the Institute was exposed to risk which represents the difference between the claims to date and the ceiling liability as calculated based on enrollment levels and health plan coverage. Additional costs in excess of the ceiling liability are covered as part of the contract with The Institute. Incurred but not reported claims of \$79,738 have been accrued as a liability for the Institute based primarily on actual cost incurred prior to June 30 but paid after year-end.

Note 16 - Health Insurance Claims (IBNR): (Continued)

Changes in the claims liability for the current and prior two fiscal years are as follows:

Fiscal Year	Balance at Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2024-25	\$ 37,999	\$ 2,124,890	\$ (2,083,151)	\$ 79,738
2023-24	50,002	1,477,376	(1,489,379)	37,999
2022-23	42,552	762,783	(755,333)	50,002

Note 17 - Commitments:

Construction Commitments

The Institute was involved in construction projects during the fiscal year, as presented below:

Project	Contract Amount	Contract Amount Outstanding at June 30, 2025
Accelerated Training in Defense Manufacturing-Building One	\$ 36,095,755	\$ 50,000
Accelerated Training in Defense Manufacturing-Building One	25,910,356	9,997,481
DCC-Diesel at Gypsum	811,555	610,199

Note 18 - Line of Credit:

On January 6, 2023, the Institute entered into a \$1,840,000 line of credit with American National Bank & Trust Company with an interest rate of 7.50% to cover cash shortfalls. There was no outstanding balance at June 30, 2025 and there was no activity during the year.

Note 19 - Upcoming Pronouncements:

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, provides users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Required Supplementary Information

The Institute for Advanced Learning and Research

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Pension Plan
For the Measurement Dates of June 30, 2015 through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability	\$ 408,863	\$ 272,201	\$ 240,348	\$ 230,632	\$ 217,584	\$ 159,890	\$ 157,849	\$ 142,198	\$ 151,988	\$ 142,591
Service cost	282,057	257,327	242,912	196,691	170,039	149,639	130,991	119,024	108,801	94,611
Interest	-	-	-	33,540	-	84,151	-	(18,969)	-	-
Assumption changes	270,965	(163,160)	(213,183)	54,583	71,972	41,357	28,466	(28,952)	(77,005)	(4,645)
Difference between expected and actual experience	(164,008)	(109,306)	(67,444)	(74,631)	(54,862)	(52,416)	(49,397)	(35,294)	(40,178)	(19,513)
Benefit payments	\$ 797,877	\$ 257,062	\$ 202,633	\$ 440,815	\$ 404,733	\$ 382,621	\$ 267,909	\$ 178,007	\$ 143,606	\$ 213,044
Net change in total pension liability	3,851,769	3,594,707	3,392,074	2,951,259	2,546,526	2,163,905	1,895,996	1,717,989	1,574,383	1,361,339
Total pension liability - beginning	\$ 4,649,646	\$ 3,851,769	\$ 3,594,707	\$ 3,392,074	\$ 2,951,259	\$ 2,546,526	\$ 2,163,905	\$ 1,895,996	\$ 1,717,989	\$ 1,574,383
Total pension liability - ending (a)	\$ 226,084	\$ 126,297	\$ 97,939	\$ 99,587	\$ 58,291	\$ 50,099	\$ 31,219	\$ 37,877	\$ 68,071	\$ 68,971
Plan fiduciary net position	276,077	153,710	111,610	111,845	104,602	92,457	78,347	84,450	74,495	75,396
Contributions - employer	513,593	308,555	(10,556)	954,282	62,458	201,942	200,053	287,589	41,267	93,098
Contributions - employee	(164,008)	(109,306)	(67,444)	(74,631)	(54,862)	(52,416)	(49,397)	(35,294)	(40,178)	(19,513)
Net investment income	(2,580)	(2,850)	(2,706)	(2,179)	(1,992)	(1,842)	(1,645)	(1,545)	(1,273)	(1,131)
Benefit payments	139	126	108	92	(76)	(128)	(182)	(261)	(17)	(21)
Administrator charges	849,305	476,532	128,951	1,088,996	168,421	290,112	258,395	372,816	142,365	216,800
Other	5,077,369	4,600,837	4,471,886	3,382,890	3,214,469	2,924,357	2,665,962	2,293,146	2,150,781	1,933,981
Net change in plan fiduciary net position	\$ 5,926,674	\$ 5,077,369	\$ 4,600,837	\$ 4,471,886	\$ 3,382,890	\$ 3,214,469	\$ 2,924,357	\$ 2,665,962	\$ 2,293,146	\$ 2,150,781
Plan fiduciary net position - beginning	\$ (1,277,028)	\$ (1,225,600)	\$ (1,006,130)	\$ (1,079,812)	\$ (431,631)	\$ (667,943)	\$ (760,452)	\$ (769,966)	\$ (575,157)	\$ (576,398)
Plan fiduciary net position - ending (b)	127.47%	131.82%	127.99%	131.83%	114.63%	126.23%	135.14%	140.61%	133.48%	136.61%
Institute's net pension liability (asset) - ending (a) - (b)	\$ 6,383,002	\$ 3,421,826	\$ 2,460,276	\$ 2,435,004	\$ 2,339,979	\$ 1,981,736	\$ 1,668,502	\$ 1,755,400	\$ 1,529,767	\$ 1,529,556
Plan fiduciary net position as a percentage of the total pension liability	-20.01%	-35.82%	-40.90%	-44.35%	-18.45%	-33.70%	-45.58%	-43.86%	-37.60%	-37.68%
Covered payroll										
Institute's net pension liability (asset) as a percentage of covered payroll										

The Institute for Advanced Learning and Research

Schedule of Employer Contributions
Pension Plan

For the Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2025	\$ 307,555	\$ 307,555	\$ -	\$ 8,575,128	3.59%
2024	226,084	226,084	-	6,383,002	3.54%
2023	126,297	126,297	-	3,421,826	3.69%
2022	97,939	97,939	-	2,460,276	3.98%
2021	99,587	99,587	-	2,435,004	4.09%
2020	58,291	58,291	-	2,339,979	2.49%
2019	51,967	51,967	-	1,981,736	2.62%
2018	32,088	32,088	-	1,668,502	1.92%
2017	43,183	43,183	-	1,755,400	2.46%
2016	68,071	68,071	-	1,529,767	4.45%

* Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

The Institute for Advanced Learning and Research

Notes to Required Supplementary Information

Pension Plan

For the Year Ended June 30, 2025

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Other Supplementary Information

Supplementary Financial Statements

The Institute for Advanced Learning and Research

Combining Statement of Net Position
As of June 30, 2025

	IALR	Foundation	Foundation Real Estate Holding Co.	Eliminations	Total
ASSETS					
Current Assets:					
Unrestricted Assets:					
Cash and cash equivalents	\$ 20,684,375	\$ 613,816	\$ 526,448	\$ -	\$ 21,824,639
Accounts receivable, net of allowance for uncollectibles	11,579,293	-	-	-	11,579,293
Grant receivable	582,671	-	-	-	582,671
Capital grant receivable	4,571,084	-	-	-	4,571,084
Leases receivable	43,639	-	-	-	43,639
Investments	-	3,651,726	-	-	3,651,726
Due from component unit	143,693	1,871,782	-	(2,015,475)	-
Prepaid items	594,122	3,847	1,106	-	599,075
Restricted Assets:					
Cash and cash equivalents-Insurance funds held by trustee	317,722	-	-	-	317,722
Total current assets	\$ 38,516,599	\$ 6,141,171	\$ 527,554	\$ (2,015,475)	\$ 43,169,849
Noncurrent Assets:					
Net pension asset	\$ 1,277,028	\$ -	\$ -	\$ -	\$ 1,277,028
Capital Assets:					
Nondepreciable capital assets	68,234,681	-	-	-	68,234,681
Depreciable capital assets, net of accumulated depreciation	46,098,139	5,074,739	5,671,250	-	56,844,128
Total noncurrent assets	\$ 115,609,848	\$ 5,074,739	\$ 5,671,250	\$ -	\$ 126,355,837
Total assets	\$ 154,126,447	\$ 11,215,910	\$ 6,198,804	\$ (2,015,475)	\$ 169,525,686
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 501,976	\$ -	\$ -	\$ -	\$ 501,976
Total deferred outflows of resources	\$ 501,976	\$ -	\$ -	\$ -	\$ 501,976
LIABILITIES					
Current Liabilities:					
Accounts payable - operations	\$ 1,990,737	\$ 1,555	\$ 13,590	\$ -	\$ 2,005,882
Accounts payable - construction	5,903,366	211,954	-	-	6,115,320
Accrued payroll and related employee expenses	160,925	-	-	-	160,925
Interest payable	-	-	20,522	-	20,522
Unearned revenue	4,818,206	-	-	-	4,818,206
Customer deposits	92,205	-	-	-	92,205
Health insurance claims IBNR	79,738	-	-	-	79,738
Compensated absences - current portion	81,764	-	-	-	81,764
Note payable - current portion	-	-	92,494	-	92,494
Due to IALR and IALR Foundation	-	-	2,015,475	(2,015,475)	-
Total current liabilities	\$ 13,126,941	\$ 213,509	\$ 2,142,081	\$ (2,015,475)	\$ 13,467,056
Noncurrent Liabilities:					
Compensated absences - net of current portion	\$ 27,255	\$ -	\$ -	\$ -	\$ 27,255
Note payable - net of current portion	-	-	4,644,086	-	4,644,086
Total noncurrent liabilities	\$ 27,255	\$ -	\$ 4,644,086	\$ -	\$ 4,671,341
Total liabilities	\$ 13,154,196	\$ 213,509	\$ 6,786,167	\$ (2,015,475)	\$ 18,138,397
DEFERRED INFLOWS OF RESOURCES					
Pension related items	\$ 201,290	\$ -	\$ -	\$ -	\$ 201,290
Lease related items	47,928	-	-	-	47,928
Total deferred inflows of resources	\$ 249,218	\$ -	\$ -	\$ -	\$ 249,218
NET POSITION					
Net investment in capital assets	\$ 108,429,454	\$ 4,862,785	\$ 934,670	\$ -	\$ 114,226,909
Restricted					
Net pension asset	1,277,028	-	-	-	1,277,028
Health insurance funds at VT Foundation	237,984	-	-	-	237,984
Unrestricted					
	31,280,543	6,139,616	(1,522,033)	-	35,898,126
Total net position	\$ 141,225,009	\$ 11,002,401	\$ (587,363)	\$ -	\$ 151,640,047

The Institute for Advanced Learning and Research

Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

	IALR	Foundation	Foundation Real Estate Holding Co.	Eliminations	Total
Operating Revenues:					
Conference center sales and services (incl. catering)	\$ 873,276	\$ -	\$ -	\$ -	\$ 873,276
Café sales	164,884	-	-	-	164,884
Contract revenue	39,319	-	-	-	39,319
Program income	27,967,573	53,741	-	(28,741)	27,992,573
Rental revenues	800,693	-	14,190	-	814,883
Recovered costs	458,320	-	-	-	458,320
Other revenues	111,118	30,000	-	-	141,118
Total operating revenues	\$ 30,415,183	\$ 83,741	\$ 14,190	\$ (28,741)	\$ 30,484,373
Operating Expenses:					
Personnel costs	\$ 16,412,703	\$ -	\$ -	\$ -	\$ 16,412,703
Contractual services and consultants	5,298,442	59,369	13,671	-	5,371,482
Supplies and equipment maintenance	2,392,665	-	2,527	-	2,395,192
Facilities	1,823,417	4,511	26,565	-	1,854,493
Telecommunications	99,761	-	-	-	99,761
Utilities	1,354,220	45	44,301	-	1,398,566
Insurance	-	-	4,835	-	4,835
Repairs and maintenance	806,437	-	115,007	-	921,444
Project expense	2,613,492	-	-	-	2,613,492
Taxes	-	-	37,156	-	37,156
Travel	441,455	59	-	-	441,514
Marketing and advertising	791,348	-	-	-	791,348
Miscellaneous	374,826	63,649	-	(28,741)	409,734
Memberships	15,819	10,000	-	-	25,819
Student support services	594,317	-	-	-	594,317
Depreciation	5,756,646	310,356	121,086	-	6,188,088
Scholarships	3,622,027	-	-	-	3,622,027
Donations	-	500	-	-	500
Total operating expenses	\$ 42,397,575	\$ 448,489	\$ 365,148	\$ (28,741)	\$ 43,182,471
Operating income (loss)	\$ (11,982,392)	\$ (364,748)	\$ (350,958)	\$ -	\$ (12,698,098)
Nonoperating Revenues (Expenses):					
State appropriations	\$ 8,040,903	\$ -	\$ -	\$ -	\$ 8,040,903
Grant income	4,531,214	-	-	-	4,531,214
Investment expense	-	(26,965)	-	-	(26,965)
Realized gain (loss) on investment	-	592,653	-	-	592,653
Unrealized gain (loss) on investment	-	(399,916)	-	-	(399,916)
Interest expense	-	-	(237,624)	-	(237,624)
Interest income	437,132	115,306	1,219	-	553,657
Total nonoperating revenues (expenses)	\$ 13,009,249	\$ 281,078	\$ (236,405)	\$ -	\$ 13,053,922
Income (loss) before capital contributions	\$ 1,026,857	\$ (83,670)	\$ (587,363)	\$ -	\$ 355,824
Equipment and construction capital contributions:					
Capital grants	\$ 38,305,365	\$ -	\$ -	\$ -	\$ 38,305,365
Contributions for capital related items	-	360,000	-	-	360,000
Total equipment and construction grants	\$ 38,305,365	\$ 360,000	\$ -	\$ -	\$ 38,665,365
Change in net position	\$ 39,332,222	\$ 276,330	\$ (587,363)	\$ -	\$ 39,021,189
Net position, beginning of year	101,892,787	10,726,071	-	-	112,618,858
Net position, end of year	\$ 141,225,009	\$ 11,002,401	\$ (587,363)	\$ -	\$ 151,640,047

The Institute for Advanced Learning and Research

Combining Statement of Cash Flows
For the Year Ended June 30, 2025

	IALR	Foundation	Foundation Real Estate Holding Co.	Eliminations	Total
Cash Flows from Operating Activities:					
Conference center fees	\$ 861,564	\$ -	\$ -	\$ -	\$ 861,564
Café sales	164,884	-	-	-	164,884
Contracts	80,569	-	-	-	80,569
Rents collected	1,258,755	-	14,190	-	1,272,945
Program income and other receipts	24,503,542	83,741	-	(28,741)	24,558,542
Payments to employees	(16,725,301)	-	-	-	(16,725,301)
Payments to suppliers for goods and services	(19,847,678)	(78,854)	(291,578)	28,741	(20,189,369)
Net cash provided by (used for) operating activities	\$ (9,703,665)	\$ 4,887	\$ (277,388)	\$ -	\$ (9,976,166)
Cash Flows from Noncapital Financing Activities:					
State appropriation and operating grants	\$ 9,171,070	\$ -	\$ -	\$ -	\$ 9,171,070
Transfers from (to) other funds	12,699	(2,028,174)	2,015,475	-	-
Net cash provided by (used for) noncapital financing activities	\$ 9,183,769	\$ (2,028,174)	\$ 2,015,475	\$ -	\$ 9,171,070
Cash Flows from Capital and Related Financing Activities:					
State and other capital grants	\$ 42,391,662	\$ -	\$ -	\$ -	\$ 42,391,662
Purchase of capital assets	(40,011,503)	(9,517)	(5,732,336)	-	(45,753,356)
Proceeds from indebtedness	-	-	4,800,000	-	4,800,000
Principal payments on indebtedness	-	-	(63,420)	-	(63,420)
Interest payments on indebtedness	-	-	(217,102)	-	(217,102)
Net cash provided by (used for) capital and related financing activities	\$ 2,380,159	\$ (9,517)	\$ (1,212,858)	\$ -	\$ 1,157,784
Cash Flows from Investing Activities:					
Interest income	\$ 437,132	\$ -	\$ 1,219	\$ -	\$ 438,351
Net cash provided by (used for) investing activities	\$ 437,132	\$ -	\$ 1,219	\$ -	\$ 438,351
Increase (decrease) in cash and cash equivalents	\$ 2,297,395	\$ (2,032,804)	\$ 526,448	\$ -	\$ 791,039
Cash and cash equivalents at beginning of year (including \$285,385 reported in restricted accounts)	18,704,702	2,646,620	-	-	21,351,322
Cash and cash equivalents at end of year (including \$317,722 reported in restricted accounts)	\$ 21,002,097	\$ 613,816	\$ 526,448	\$ -	\$ 22,142,361
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (11,982,392)	\$ (364,748)	\$ (350,958)	\$ -	\$ (12,698,098)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	5,756,646	310,356	121,086	-	6,188,088
Contribution of fixed asset	-	60,000	(60,000)	-	-
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(3,802,146)	-	-	-	(3,802,146)
(Increase) decrease in prepaid items	(137,563)	(2,109)	(1,106)	-	(140,778)
(Increase) decrease in leases receivable	269,750	-	-	-	269,750
(Increase) decrease in net pension asset	(51,428)	-	-	-	(51,428)
(Increase) decrease in deferred outflows of resources related to pension	(275,308)	-	-	-	(275,308)
Increase (decrease) in accounts payable - operations	783,556	1,388	13,590	-	798,534
Increase (decrease) in accrued payroll and related employee expenses	45,389	-	-	-	45,389
Increase (decrease) in compensated absences	(29,437)	-	-	-	(29,437)
Increase (decrease) in health insurance claims IBNR	41,739	-	-	-	41,739
Increase (decrease) in customer deposits	(13,473)	-	-	-	(13,473)
Increase (decrease) in deferred inflows of resources related to pension	(43,553)	-	-	-	(43,553)
Increase (decrease) in deferred inflows of resources related to lease	(265,445)	-	-	-	(265,445)
Net cash provided by (used for) operating activities	\$ (9,703,665)	\$ 4,887	\$ (277,388)	\$ -	\$ (9,976,166)
Schedule of noncash capital and related financing activities:					
Capital asset additions included in accounts payable at end of year	\$ 5,903,366	\$ 211,954	\$ -	\$ -	\$ 6,115,320
Donation of capital asset addition	-	360,000	-	-	360,000
Transfer of capital assets	-	(60,000)	60,000	-	-
Interest paid during the year on indebtedness	-	-	217,102	-	217,102

COMPLIANCE SECTION



**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 Members of the Board of Trustees
The Institute for Advanced Learning and Research
Danville, Virginia**

We have audited, in accordance with the 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Institute for Advanced Learning and Research, component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Institute for Advanced Learning and Research's basic financial statements and have issued our report thereon dated November 26, 2025.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute for Advanced Learning and Research'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farnner, Cox Associates

Blacksburg, Virginia
November 26, 2025



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the Members of the Board of Trustees
The Institute for Advanced Learning and Research
Danville, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Institute for Advanced Learning and Research'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 the Institute for Advanced Learning and Research's major federal programs for the year ended June 30, 2025. The Institute for Advanced Learning and Research'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, the Institute for Advanced Learning and Research 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 June 30, 2025.

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 the Institute for Advanced Learning and Research 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 the Institute for Advanced Learning and Research'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 the Institute for Advanced Learning and Research'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 the Institute for Advanced Learning and Research'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 the Institute for Advanced Learning and Research'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 the Institute for Advanced Learning and Research'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 the Institute for Advanced Learning and Research'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 the Institute for Advanced Learning and Research'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 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 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.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 26, 2025

The Institute of Advanced Learning and Research

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Agriculture: Pass-through payments from: Virginia Department of Agriculture and Consumer Services Specialty Crop Block Grant Program - Farm Bill	10.170	21SCBPVA1060-00	\$ 8,369	
Department of Defense: Pass-through payments from: Virginia Department of Veterans Services Community Investment	12.600	HQ00063220089	546,890 \$	455,664
Corporation for National and Community Service: Direct payments: AmeriCorps State and National	94.006	Not applicable	\$ 163,264	
Pass-through payments from: Virginia Department of Social Services AmeriCorps State and National	94.006	CVS-232-016-01	<u>151,410</u>	314,674
Department of the Treasury: Pass-through payments from: Virginia Department of Social Services COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	CVS-232-016-01	<u>50,331</u>	
Total Expenditures of Federal Awards			<u>\$ 920,264</u>	<u>\$ 455,664</u>

Notes to Schedule of Expenditures of Federal Awards

Note A-Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Institute for Advanced Learning and Research under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Institute for Advanced Learning and Research, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Institute for Advanced Learning and Research.

Note B-Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C-De Minimis Cost Rate:

The Institute for Advanced Learning and Research did not elect to use the 15-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note D-Relationship to the Financial Statements:

Grant income per the basic financial statements	\$ 4,531,214
Capital grant income per the basic financial statements	38,305,365
Less: Grants from the Non-Federal Sources	<u>(41,916,315)</u>
Federal revenue as reported above	<u>\$ 920,264</u>

The Institute for Advanced Learning and Research

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516(a)?	No
Identification of major programs:	

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
12.600	Community Investment

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.