



Financial Statements

For the Year Ended September 30, 2023

## Table of Contents

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	Page
<b>Independent Auditor's Report</b>	1 - 3
<b>Financial Statements:</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 11

## Independent Auditor's Report

**To the Board of Directors  
Topos Institute  
Berkeley, California**

### Opinion

We have audited the consolidated financial statements of Topos Institute (Topos), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Topos as of September 30, 2023, and the results of its activities and its cash flows for the year ended September 30, 2023, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Topos and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, Topos adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) for the year ended September 30, 2023. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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



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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 Topos' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024 on our consideration of Topos' 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 Topos' internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Topos' internal control over financial reporting and compliance.

*Clark Nuber P.S.*

Certified Public Accountants  
March 5, 2024

**TOPOS INSTITUTE**

**Statement of Financial Position  
September 30, 2023**

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**Assets**

**Current Assets:**

Cash and cash equivalents	\$ 395,044
Grants receivable	256,195
Prepays	15,538

**Total Current Assets** **666,777**

Investments	511,906
Operating lease right-of-use asset	149,719

**Total Assets** **\$ 1,328,402**

**Liabilities and Net Assets**

**Current Liabilities:**

Accounts payable	\$ 5,528
Accrued expenses	107,191
Grant refunding	30,000
Operating lease liability, current portion	131,184

**Total Current Liabilities** **273,903**

Operating lease liability, net of current portion	28,770
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**Total Liabilities** **302,673**

**Net Assets:**

Net assets without donor restrictions	908,590
Net assets with donor restrictions	117,139

**Total Net Assets** **1,025,729**

**Total Liabilities and Net Assets** **\$ 1,328,402**

See accompanying notes.

**TOPOS INSTITUTE**

**Statement of Activities  
For the Year Ended September 30, 2023**

	Without Donor Restriction	With Donor Restriction	Total
<b>Support and Revenues:</b>			
Private grants and contributions	\$ 943,152	\$ 133,483	\$ 1,076,635
Government grants and contracts	871,304		871,304
Investment income	12,110		12,110
Miscellaneous revenue	13,582		13,582
Net assets released from restriction	120,791	(120,791)	
<b>Total Support and Revenues</b>	<b>1,960,939</b>	<b>12,692</b>	<b>1,973,631</b>
<b>Expenses:</b>			
Program services	1,165,486		1,165,486
Management and general	534,203		534,203
Fundraising	950		950
<b>Total Expenses</b>	<b>1,700,639</b>		<b>1,700,639</b>
<b>Change in Net Assets</b>	<b>260,300</b>	<b>12,692</b>	<b>272,992</b>
Net assets, beginning of year	648,290	104,447	752,737
<b>Net Assets, End of Year</b>	<b>\$ 908,590</b>	<b>\$ 117,139</b>	<b>\$ 1,025,729</b>

See accompanying notes.

**TOPOS INSTITUTE**

**Statement of Functional Expenses  
For the Year Ended September 30, 2023**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 658,665	\$ 253,028	\$ 673	\$ 912,366
Events	146,832			146,832
Employee benefits	61,127	30,023	84	91,234
Rent	87,588	1,719		89,307
Payroll taxes	52,216	20,042	57	72,315
Organizational strategy consultants		71,955		71,955
Research (travel and other nonsalary)	69,731			69,731
Participant support	49,690			49,690
Accounting		46,668		46,668
Other professional fees		44,348		44,348
Legal		25,719		25,719
Lease expense		18,648		18,648
Computer hardware	8,252	5,048		13,300
Furniture and equipment	6,662	3,358		10,020
Meals	8,972	121		9,093
Program contractors	5,600			5,600
Payroll service fees	2,278	1,218	2	3,498
Office supplies	2,544	548		3,092
Insurance	1,038	1,668		2,706
IT services	514	1,700		2,214
Dues and memberships		2,196		2,196
Recruitment		1,869		1,869
Printing and copying		1,863		1,863
Travel		1,847		1,847
Event expense	1,450			1,450
Building maintenance and repair	1,304			1,304
Miscellaneous	688			688
Interest and bank charges		266	134	400
Outreach and community building	232			232
Taxes and fees		200		200
Postage and shipping		151		151
Education	103			103
<b>Total Expenses</b>	<b>\$ 1,165,486</b>	<b>\$ 534,203</b>	<b>\$ 950</b>	<b>\$ 1,700,639</b>

See accompanying notes.



**TOPOS INSTITUTE**

**Statement of Cash Flows  
For the Year Ended September 30, 2023**

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**Cash Flows From Operating Activities:**

Change in net assets	\$ 272,992
Adjustments to reconcile change in net assets to net cash flows provided by operating activities-	
Changes in assets and liabilities:	
Grants receivable	(52,175)
Prepays	23,423
Accounts payable	(3,180)
Accrued expenses	60,404
Grant refunding	30,000
Operating lease liability, net of right-of-use asset	<u>10,235</u>

**Net Cash Flows Provided by Operating Activities** **341,699**

**Cash Flows From Investing Activities:**

Purchases of investments	<u>(500,000)</u>
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**Net Cash Used in Investing Activities** **(500,000)**

**Net Change in Cash and Cash Equivalents** **(158,301)**

Cash and cash equivalents, beginning of year	<u>553,345</u>
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**Cash and Cash Equivalents, End of Year/Period** **\$ 395,044**

See accompanying notes.

## TOPOS INSTITUTE

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### Note 1 - Organization and Significant Accounting Policies

**Organization** - Topos Institute (Topos) is a not-for-profit California corporation shaping technology for public benefit by advancing sciences of connection and integration. Topos works towards a world where the systems that people are embedded within benefit everyone.

**Method of Accounting** - Topos prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Basis of Presentation** - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Topos Institute and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Topos and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. If Topos receives a contribution with donor restrictions and it meets the restrictions in the same year the contribution is received, then it records the contribution as revenue without donor restrictions.

**Cash and Cash Equivalents** - Topos considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Topos maintains cash deposits in bank accounts which at times exceed federally insured limits.

**Support and Revenue** - Topos recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Government contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

**Government Grants and Contracts** - Cost reimbursement grant and contract revenue is recognized and recorded as related research expenses are incurred. Topos receives reimbursement for indirect costs on certain research grants based upon a provisional rate applied to direct costs. Any adjustments that are necessary when final rates are determined are recorded in the period they become known. Direct and indirect costs reimbursed by United States government agencies are subject to review and audit by such agencies.

Conditional grants and contracts are recognized when the conditions on which they depend are substantially met. Government grants and contracts are conditioned upon certain performance requirements, matching requirements, and/or the incurrence of allowable qualifying expenses. Topos had approximately \$2,694,953 in conditional grants and contracts due over the next three years at September 30, 2023.

## TOPOS INSTITUTE

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### Note 1 - Continued

**Receivables** - Grants receivable consist of amounts due within one year from the federal government through a pass-through entity. Receivables are stated at the amount management expects to collect from outstanding balances. Management may provide for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off against the valuation allowance. There was no valuation allowance for outstanding receivables as of September 30, 2023.

**Funding Dependency and Concentration** - Topos receives a substantial portion of its funding from Federal government agencies. For the year ended September 30, 2023, support from Federal government agencies represented 44% of total support and revenues. Receivables from Federal government agencies represented 64% of grants receivable at September 30, 2023.

**Investments** - The Institute's investments consist of certificates of deposit which are stated at cost plus accrued interest, which approximates fair value.

**Leases** - Effective October 1, 2022, Topos adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). AAHI has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, Topos accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, Topos did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, Topos recognized on October 1, 2022 (a) a lease liability of \$223,369 and (b) a right-of-use asset of \$223,369.

Topos determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent Topos' obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Topos' leases do not provide an implicit rate of return; thus, Topos uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. Topos has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Topos will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less.

**Federal Income Taxes** - The Internal Revenue Service (IRS) has determined that Topos is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Topos has no provision or benefit for income taxes included in these consolidated financial statements since taxable income or loss passes through to, and is reportable by, each partner or member individually.

## TOPOS INSTITUTE

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### Note 1 - Continued

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

**Allocation of Functional Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. The statement of functional expenses presents the natural classification of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include Personnel Expenditures and Operations Expenditures, which are allocated on the basis of employee time and effort. Expenditures which can be identified with a specific contract or support service are allocated directly, according to their natural expenditure.

**Subsequent Events** - Topos has evaluated subsequent events through March 5, 2024, the date on which the financial statements were available to be issued.

#### Note 2 - Liquidity and Availability of Financial Assets

Topos' financial assets available within one year of the statement of financial position date for general expenditure were as follows at September 30, 2023:

Cash and cash equivalents	\$ 395,044
Grants receivable	<u>256,195</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 651,239</u></b>

Management utilizes various methods and tools to manage its liquidity, all of which have been upgraded to guide Topos through its current reduced liquidity.

#### Note 3 - Leases

Topos leases office space under a long-term, noncancelable lease agreement which expires in 2025. Additionally, the lease include payments for common area maintenance, utilities, taxes and insurance that are considered variable lease payments and are excluded from determining the lease liability.

The components of lease expense for the year ended September 30, 2023 are as follows:

Operating lease cost	\$ 87,615
Short-term and other lease cost	<u>20,339</u>
<b>Total Leasing Expense</b>	<b><u>\$ 107,954</u></b>

## TOPOS INSTITUTE

### Notes to Financial Statements For the Year Ended September 30, 2023

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#### Note 3 - Continued

Future minimum payments required under operating leases are as follows:

For the Year Ending September 30,

2024	\$ 131,184
2025	33,483
2026	
2027	
	<hr/>
Total future minimum lease payments	164,667
Less present value discount	<u>(4,713)</u>
Total operating lease liabilities	159,954
Less current portion	<u>(131,184)</u>
<b>Operating Lease Liability, Net of Current Portion</b>	<b><u>\$ 28,770</u></b>

Supplemental cash flow information related to leases as of September 30, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ 68,964
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 223,369
Weighted-average remaining lease term - operating lease	1.25 years
Weighted-average discount rate - operating lease	4.40%

#### Note 4 - Net Assets

As of September 30, 2023, there was \$117,139 in net assets with donor restrictions which are subject to program restrictions.

#### Note 5 - Benefit Plan

Topos sponsors a defined contribution retirement plan ("the Plan"). Employees that are part time, full time, and temporary may all participate in the Plan on the pay period following 3 months of service. Participants are auto enrolled at 3% pre-tax rate. There is currently no employer match.