



Single Audit Reports

For the Year Ended September 30, 2024

## Table of Contents

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	Page
<b>Single Audit Reports:</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1 - 2
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 - 6
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9 - 10
Management's Corrective Action Plan	

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Topos Institute, which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2025.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered Topos' 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 Topos' internal control. Accordingly, we do not express an opinion on the effectiveness of Topos' 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.



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## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Topo'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 Topos' 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.

*Clark Nuber P.C.*

Certified Public Accountants  
March 17, 2025

**Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

**Independent Auditor's Report**

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

**Opinion on Each Major Federal Program**

We have audited Topos Institute's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Topos Institute's major federal programs for the year ended September 30, 2024. Topos Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Topos Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

**Basis for Opinion on Each Major Federal Program**

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

We are required to be independent of Topos Institute and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Topos Institute'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 Topos Institute's federal programs.



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## **Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Topos Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Topos Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Topos Institute'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**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001, to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on Topos Institute's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Topos Institute's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

## **REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

We have audited the financial statements of Topos Institute as of and for the year ended September 30, 2024, and have issued our report thereon dated March 17, 2025 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Clark Nuber P.S.*

Certified Public Accountants  
March 17, 2025



**TOPOS INSTITUTE**

**Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2024**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Award Identifying Number	Passed Through to Subrecipients *	Federal Expenditures
<b>Research and Development Cluster</b>				
<b>Department of Defense:</b>				
Air Force Defense Research Sciences Program	12.800	FA9550-23-1-0133	\$ -	\$ 148,529
Air Force Defense Research Sciences Program	12.800	FA9550-20-1-0348		99,829
Air Force Defense Research Sciences Program	12.800	FA9550-24-1-0012		39,265
Air Force Defense Research Sciences Program	12.800	FA9550-23-1-0376		<u>331,693</u>
Total 12.800				619,316
University of Florida-				
Research and Technology Development	12.910	SUB00003037		25,814
Research and Technology Development	12.910	SUB00003357		<u>333,489</u>
Total 12.910				<u>359,303</u>
<b>Total Department of Defense</b>				<u><b>978,619</b></u>
<b>Total Research and Development Cluster/ Total Expenditures of Federal Awards</b>			<u><b>\$ -</b></u>	<u><b>\$ 978,619</b></u>

\* No federal assistance reported on the Schedule of Expenditures of Federal Awards was passed through to subrecipients during the year.

See independent auditor's report and notes to schedule of expenditures of federal awards.

## TOPOS INSTITUTE

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2024

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#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Topos Institute (Topos) under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of Topos.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Expenses incurred under federal programs are subject to audit by the awarding agencies. If, as a result of such audit, certain expenses incurred are determined to be nonreimbursable, Topos may be liable for repayment of disallowed expenses previously claimed or received.

#### **Note 3 - Indirect Cost Rate**

Topos has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

**TOPOS INSTITUTE**

**Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2024**

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported.

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None reported.

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

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

**Identification of Major Programs**

<u>Federal Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?*	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

\* A low-risk auditee is defined to be an auditee that has received single audit reports without material findings, among other considerations, in the most recent two fiscal years. This report represents Topos' second single audit. Thus Topos is technically ineligible for this qualification.

## TOPOS INSTITUTE

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2024

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#### Section II - Financial Statement Findings

No matters were reported.

#### Section III - Findings and Questioned Costs for Federal Awards

##### Finding 2024-001

Significant deficiency in internal controls over compliance related to allowable costs.

Federal Agency: Department of Defense  
Program Titles: Air Force Defense Research Sciences Program and Research and Technology Development  
Assistance Listing Number: 12.800 and 12.910  
Award Number: All  
Award Period: September 15, 2020 - September 14, 2026

##### Criteria

2 U.S. Code of Federal Regulations (CFR) 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards provides for specific items of cost which are considered to be unallowable. Additionally, that costs must be accounted for in accordance generally accepted accounting principles (GAAP) and be given consistent treatment. Topos Institute's internal controls over allowable costs failed to remove these items from allowable costs.

##### Condition/Context

During testing of allowable costs, there was once instance where unallowable costs were charged to the indirect cost pool. Additionally, two instances where subscription costs were not accounted for in accordance with GAAP and one instance where a service fee was expensed in the incorrect period. Finally, one instance where two items were purchased but only one item was charged to the indirect cost pool, however the full amount of the tax was inappropriately allocated to the indirect cost pool for the Federal awards.

##### Questioned Costs

\$3,494

##### Cause

The Institute's operation of internal controls was not sufficient to ensure that no unallowable costs, costs not charged in accordance with GAAP, and cost not allocated equitably were charged to the federal funding.

##### Effect

Based on the exception noted in the operation of internal controls, there could exist unallowable costs that were charged to the Federal Award.

##### Repeat Finding

This is not a repeat finding.

##### Recommendation

We recommend that the Institute ensure current internal controls are communicated to staff charging expenses to federal awards and consider the need for further strengthening internal controls over allowable costs.

##### Views of Responsible Official of Auditee

Management concurs with the finding and has provided accompanying corrective action plan.

Topos Institute

Corrective Action Plan  
For the Fiscal Year Ended 2024

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Finding Number 2024-001

Contact Persons: Brendan Fong and Beth Williams

Topos will follow the following steps:

<b>Corrective action planned</b>	<b>Anticipated Completion Date</b>
Add a step in the month-end close process to include a review of costs at least quarterly (if not monthly) to identify inaccurately coded transactions.	Feb-Apr 2025
Create an unallowable cost tag for entries and re-train the Office Manager to better identify unallowable costs at the point of entry.	Done
Second party review prior to match in QBO for unallowable cost and prepaid identification.	Feb 2025
Prepare an initial draft of the indirect cost proposal at fiscal year end (prior to YE close).	Nov 2025
Communicate reminder to PIs about internal controls policies and procedures for expenses reimbursed by federal grants, including ensuring all expenses should be made within the period of performance, and getting written approval from program managers for changes.	Mar 2025

Topos considers the above steps sufficient and adequate to close the gaps in the coding errors of transactions that may have permitted unallowable costs. These steps will increase the effectiveness of identifying transactions and allow for appropriate tracking of costs. This will remedy the lapse in effectiveness experienced by Topos' internal controls over allowable costs.