

**NORTHEAST INDIANA  
INNOVATION CENTER, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2016**

**With Summarized Information for December 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northeast Indiana Innovation Center, Inc.  
Fort Wayne, Indiana

We have audited the accompanying consolidated financial statements of Northeast Indiana Innovation Center, Inc., (a nonprofit organization) and affiliates which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northeast Indiana Innovation Center, Inc. and affiliates as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position, activities – unrestricted, changes in net assets – unrestricted, consolidated schedule of functional expenses, and consolidating schedule of program services are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Report on Summarized Comparative Information*

We have previously audited the Northeast Indiana Innovation Center, Inc.'s 2015 consolidated financial statements, and our report dated July 20, 2016 we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Fort Wayne, Indiana  
June 29, 2017

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
December 31, 2016 with Summarized Information for December 31, 2015

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,027,905	\$ 2,016,208
Certificates of deposit	-	100,000
Receivables:		
Trade - net of allowance for doubtful accounts of \$15,000 (2016 and 2015)	224,562	230,424
Pledges - net	68,500	101,803
Note	26,750	-
Refundable income taxes	20,982	-
Inventory	45,544	4,965
Prepaid expenses	36,712	26,855
Investments	288,663	348,055
Property and equipment - net	10,036,482	10,261,820
Construction in progress	45,856	45,856
	<b>\$12,821,956</b>	<b>\$13,135,986</b>
<b>Total Assets</b>	<b>\$12,821,956</b>	<b>\$13,135,986</b>
<b>LIABILITIES AND NET ASSETS</b>		
Line of credit	\$ -	\$ 15,000
Accounts payable	138,565	97,254
Accrued liabilities	110,006	57,991
Income tax payable	-	6,152
Deferred revenue	8,148	7,946
Deposits	45,246	62,035
Capital lease	29,356	37,465
Leasehold mortgage note payable	-	111,400
	331,321	395,243
<b>Total Liabilities</b>	331,321	395,243
Net Assets:		
Unrestricted:		
Controlling interest	12,312,611	12,509,841
Non-controlling interest	69,274	63,599
Total unrestricted	12,381,885	12,573,440
Temporarily restricted	108,750	167,303
	<b>12,490,635</b>	<b>12,740,743</b>
<b>Total Net Assets</b>	<b>12,490,635</b>	<b>12,740,743</b>
<b>Total Liabilities and Net Assets</b>	<b>\$12,821,956</b>	<b>\$13,135,986</b>

The accompanying notes are an integral part of these financial statements.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended December 31, 2016 with Summarized Information for December 31, 2015

	<b>2016</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>
<b>CHANGE IN NET ASSETS</b>		
<b>Support and Revenue:</b>		
Contributions	\$ 50,750	\$ 100,000
Federal grants	150,000	-
Government fee for service	100,000	-
Incremental tax financing funds	565,046	-
Program service fees	912,626	-
Technology Service income	497,993	-
Sales - net of cost of sales of \$829,512 (2016) and \$586,888 (2015)	114,118	-
Special events	117,675	7,750
Less: direct benefit to donors	(4,800)	-
Interest income	2,603	-
Return on investment	1,750	-
Gifts in-kind	696	-
Other income	2,627	-
<b>Net Assets Released From Restrictions:</b>		
Satisfaction of purpose requirements	144,001	(144,001)
Satisfaction of time requirements	22,302	(22,302)
	<hr/>	<hr/>
<b>Total Support and Revenue:</b>	2,677,387	(58,553)
<b>Expenses and Losses:</b>		
Program services	2,286,673	-
Management and general	372,631	-
Fund raising	125,454	-
Loss on investment	36,184	-
	<hr/>	<hr/>
<b>Total Expenses and Losses</b>	2,820,942	-
	<hr/>	<hr/>
<b>Change in Net Assets</b>	(143,555)	(58,553)
<b>NET ASSETS - beginning of year</b>	12,573,440	167,303
<b>CAPITAL CONTRIBUTION</b>	-	-
<b>DISTRIBUTIONS</b>	48,000	-
	<hr/>	<hr/>
<b>NET ASSETS - end of year</b>	<u>\$ 12,381,885</u>	<u>\$ 108,750</u>

The accompanying notes are an integral part of these financial statements.

	<b>2016</b>		<b>2015</b>
	<b>Total</b>		<b>Total</b>
\$	150,750	\$	175,952
	150,000		37,500
	100,000		150,000
	565,046		475,085
	912,626		824,915
	497,993		534,288
	114,118		67,739
	125,425		90,601
	(4,800)		(10,876)
	2,603		3,388
	1,750		144
	696		3,004
	2,627		20,149
	-		-
	-		-
	2,618,834		2,371,889
	2,286,673		2,225,210
	372,631		323,111
	125,454		117,251
	36,184		-
	2,820,942		2,665,572
	(202,108)		(293,683)
	12,740,743		13,076,826
	-		5,000
	48,000		47,400
	\$12,490,635		\$12,740,743

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
Year Ended December 31, 2016 with Summarized Information for December 31, 2015

	2016			2015	
	Unrestricted Controlling Interest	Non- Controlling Interest	Temporarily Restricted	Total	Total
<b>NET ASSETS</b> - beginning of year	\$ 12,509,841	\$ 63,599	\$ 167,303	\$ 12,740,743	\$ 13,076,826
<b>CAPITAL CONTRIBUTION</b>	-	-	-	-	5,000
<b>DISTRIBUTIONS</b>	-	(48,000)	-	(48,000)	(47,400)
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	<u>(197,230)</u>	<u>53,675</u>	<u>(58,553)</u>	<u>(202,108)</u>	<u>(293,683)</u>
<b>NET ASSETS</b> - end of year	<u><u>\$ 12,312,611</u></u>	<u><u>\$ 69,274</u></u>	<u><u>\$ 108,750</u></u>	<u><u>\$ 12,490,635</u></u>	<u><u>\$ 12,740,743</u></u>

The accompanying notes are an integral part of these financial statements.



**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2016 with Summarized Information for December 31, 2015

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (202,108)	\$ (293,683)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	384,037	397,519
Loss on investment	36,184	-
Provision for bad debts	2,297	1,280
Change in assets and liabilities:		
(Increase) decrease in:		
Trade receivable	3,565	(49,058)
Pledges receivable	33,303	(11,500)
Notes receivable	(26,750)	5,237
Refundable income tax	(20,982)	6,500
Inventory	(40,579)	612
Prepaid expenses	(9,857)	(5,290)
Increase (decrease) in:		
Accounts payable	41,311	57,689
Accrued liabilities	52,015	807
Income tax payable	(6,152)	6,152
Deferred revenue	202	1,036
Deposits	(16,789)	6,171
	229,697	123,472
<b>Cash Flows From Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Distributions paid	(48,000)	(47,400)
Purchase of investments	(36,094)	(2)
Distribution from investment	59,302	331,820
Purchase of property and equipment	(158,699)	(45,985)
Redemption of certificates of deposit	100,000	75,000
	(83,491)	313,433
<b>Cash Flows From Investing Activities</b>		

(continued)

The accompanying notes are an integral part of these financial statements.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2016 with Summarized Information for December 31, 2015

	<b>2016</b>	<b>2015</b>
(continued)		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in line of credit	\$ (15,000)	\$ (34,000)
Payment on capital lease	(8,109)	(7,914)
Capital contribution	-	5,000
Payments on leasehold mortgage note payable	<u>(111,400)</u>	<u>(129,600)</u>
<b>Cash Flows from Financing Activities</b>	<u>(134,509)</u>	<u>(166,514)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,697	270,391
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>2,016,208</u>	<u>1,745,817</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u><u>\$ 2,027,905</u></u>	<u><u>\$ 2,016,208</u></u>

The accompanying notes are an integral part of these financial statements.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2016 and 2015

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Northeast Indiana Innovation Center, Inc. (the Organization) is a business incubator dedicated to growing and developing ideas and businesses through shared office services; organized networking; mentorship; technical and business advisory assistance; marketing and grant research; business plan support; training services; and capital access/formation. Business operations commenced in April 2000. Program services commenced in August 2001.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Northeast Indiana Innovation Center, Inc., Innovative Property Management Group, LLC, Innovative Technology Group, LLC, and Innovative Livestock Group, LLC. All significant intercompany balances and transactions have been eliminated in these financial statements.

**Innovative Property Management Group, LLC (IPMG)**

Innovative Property Management Group, LLC is wholly owned by Northeast Indiana Innovation Center, Inc., and was established in 2010. The intent of this entity is to provide the Organization and its clients' property management services efficiently, effectively and economically. In 2010 office cleaning was started with additional services of grounds maintenance and hvac/general maintenance to be offered in the future. IPMG is a for profit entity which creates unrelated business income or loss for the Organization.

**Innovative Technology Group, LLC (ITG)**

Innovative Technology Group, LLC, 70% owned by IPMG, was established in 2011. The intent of this entity is to provide the Organization and its clients products and services for network design, setup and support. ITG offers small and medium size companies an alternative to having their own IT department. ITG is a for profit entity which creates unrelated business income or loss for the Organization.

**Innovative Livestock Group, LLC (ILG)**

Innovative Livestock Group, LLC, 70% owned by IPMG in 2016 and 60% owned by IPMG in 2015, was established in 2015. ILG is a for profit entity which creates unrelated business income or loss for the Organization. ILG was created to be like Auto-Trader.com or EBay for livestock that is used for breeding, livestock marketing, search and sales. ILG seeks to advance livestock commerce to the modern age by connecting sellers and buyers via the internet and mobile platforms.

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## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

### **Taxes**

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. However, under certain Internal Revenue Code regulations, profitable, unrelated business income is subject to federal and state income tax. Such income arises from ownership of IPMG, ITG and ILG. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

### **Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### **Contributions**

Contributions of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit their use. In the case of temporarily restricted support, when the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor restriction is satisfied in the period the gift is received, this support is reported as unrestricted revenue. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

### **Receivables**

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions. The Organization's policy is not to accrue interest on trade receivables. Receivables over 90 days are considered for collection on a customer-by-customer basis.

Pledges are recognized as public support in the year the pledge is made. The Organization provides allowances for doubtful accounts which are based upon historical collection experience and on management's estimate of losses that will be incurred in the collection of all receivables.

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## **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

### **Inventories**

Inventories consist of computer equipment and supplies and are recorded using the lower of cost or market with cost being determined on the basis of first-in, first-out.

### **Investments**

Investments are reported at the lower of cost or fair value in the statement of financial position.

### **Property and Equipment**

Property and equipment is stated at cost, or if donated, at fair value at the date of the gift. Property and equipment with a cost or donated value of \$5,000 or more and an estimated useful life of two or more years are capitalized and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the assets, gifts of long lived assets are reported as unrestricted support.

### **Marketing**

Marketing costs are expensed in the period in which they are incurred.

### **Deferred Revenue**

Deferred revenue is made up of resident fees paid in advance.

### **Prior Year Summarized Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

### **Subsequent Events**

Management has evaluated subsequent events through June 29, 2017 the date which the financial statements were available for issue.

## 2. PLEDGES RECEIVABLE

Pledges receivable as of December 31 are as follows:

	2016	2015
Pledges receivable	\$ 68,500	\$ 102,500
Less unamortized discount (3.00%)	<u>-</u>	<u>697</u>
Net pledges receivable	<u>\$ 68,500</u>	<u>\$ 101,803</u>
Amounts due in:		
Less than one year	\$ 68,500	\$ 97,500
One to five years	<u>-</u>	<u>5,000</u>
	<u>\$ 68,500</u>	<u>\$ 102,500</u>

## 3. NOTE RECEIVABLE

Note receivable at December 31, 2016 consists of a \$25,000 note receivable and \$1,750 in accrued interest due from a client, payable in a single installment of \$25,000 plus interest on February 28, 2019. The note bears interest at 12.0% per annum and is unsecured. Interest income totaled \$1,750 for 2016.

## 4. INVESTMENTS

Investments at December 31 are summarized as follows:

	2016	2015
Centerfield Capital Partners, LP	\$ 72,694	\$ 168,180
BioPoly, LLC	122,469	100,000
Allied Payment Network, Inc.	93,475	79,850
Other small entities	<u>25</u>	<u>25</u>
	<u>\$ 288,663</u>	<u>\$ 348,055</u>

## 5. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

*Level 1.* Unadjusted quoted prices in active markets for identical assets and liabilities.

*Level 2.* Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

*Level 3.* Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Investments. Centerfield Capital Partners, LP's value is based on the Organization's share of Centerfield Capital Partner's net assets at December 31, 2016.

Fair value of assets and liabilities measured on a recurring basis at December 31, 2016 are as follows:

	<b>Level 3</b>
Centerfield Capital Partners, LP	\$ 72,694

(continued)

**5. FAIR VALUE MEASUREMENT (continued)**

Following is a reconciliation of activity for assets and liabilities measured at fair value based on significant unobservable inputs for the year ending December 31, 2016:

Balance – beginning of year	\$ 168,180
Contributions	-
Total gains and losses included in earnings:	
Impairment loss	(36,184)
Distributions	<u>(59,302)</u>
Balance – end of year	<u>\$ 72,694</u>

**6. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<b>Northeast Indiana Innovation Center, Inc.</b>	<b>Innovative Property Management Group, LLC</b>	<b>Innovative Technology Group</b>	<b>Totals 2016</b>	<b>2015</b>
Building	\$13,229,903	\$ 81,229	\$ -	\$ 13,311,132	\$13,291,440
Leasehold improvements	193,012	-	-	193,012	185,212
Lab equipment	83,237	-	-	83,237	83,237
Office equipment	757,817	-	5,274	763,091	656,629
Vehicles	<u>8,855</u>	<u>50,927</u>	<u>-</u>	<u>59,782</u>	<u>35,038</u>
	14,272,824	132,156	5,274	14,410,254	14,251,556
Accumulated depreciation	<u>4,344,406</u>	<u>27,985</u>	<u>1,381</u>	<u>4,373,772</u>	<u>3,989,736</u>
	<u>\$9,928,418</u>	<u>\$ 104,171</u>	<u>\$ 3,893</u>	<u>\$ 10,036,482</u>	<u>\$ 10,261,820</u>



**7. LINE OF CREDIT**

The Organization has available a \$500,000 line of credit agreement with First Source Bank. The note bears interest at the prime rate plus 0.5% with a minimum of 4.0% (4.25% at December 31, 2016), and is secured by all accounts held with First Source Bank. Amounts outstanding under this line totaled \$-0- at December 31, 2016 and \$15,000 at December 31, 2015.

The total amount of interest charged to operations on the line of credit was \$261 in 2016 and \$1,412 in 2015.

**8. LEASEHOLD MORTGAGE NOTE PAYABLE**

Note payable consists of the following at December 31:

	<b>2016</b>	<b>2015</b>
Note payable to 1st Source Bank in monthly installments of \$10,700 including interest at 5.67%, secured by a leasehold mortgage on real estate and all equipment, due October 2016.	\$ -	\$ 111,400

The total amount of interest charged to operations on the mortgage note was \$3,074 in 2016 and \$9,803 in 2015.

**9. GOVERNMENT FEE FOR SERVICE CONTRACTS**

The Organization recorded income from local governments as follows:

	<b>2016</b>	<b>2015</b>
Fee for service contracts:		
Allen County Commissioners	\$ 100,000	\$ 100,000
City of Fort Wayne	<u>-</u>	<u>50,000</u>
	<u>\$ 100,000</u>	<u>\$ 150,000</u>

## 10. FEDERAL GRANTS

The Organization recorded income from the Small Business Administration under CFDA #59.043 - Women's Business Ownership Assistance totaling \$150,000 during 2016 and \$37,500 during 2015.

## 11. CERTIFIED TECHNOLOGY PARK INCREMENTAL TAX FINANCING FUNDS

In 2003 the State of Indiana designated the Northeast Indiana Innovation Center as the state's fifth certified technology park. This program encourages the location of high-technology businesses within areas identified by local redevelopment commissions.

In 2008 the Organization began receiving incremental tax financing funds from the State of Indiana, passed through the Fort Wayne Redevelopment Commission. These funds are a portion of the tax revenues generated by tenants that are to be reinvested into the park and used for improvements, operation and maintenance of facilities, payment of interest and principal on bonds and other business - generating activities. Total revenues recognized for 2016 were \$565,046 and 2015 were \$475,085.

## 12. NET ASSETS

Temporarily restricted net assets are to be used for the following purposes:

	<b>2016</b>	<b>2015</b>
Annual fund	\$ 1,000	\$ 1,000
Entrepreneurship	-	15,000
Future periods	30,000	22,302
LEAP fund	-	7,001
GELS project	-	50,000
Special events	7,750	-
Student venture lab	<u>70,000</u>	<u>72,000</u>
	<u>\$ 108,750</u>	<u>\$ 167,303</u>

### 13. EMPLOYEE BENEFIT PLAN

The Organization sponsors for all eligible employees a salary reduction plan under Section 401(k) of the Internal Revenue Code and allows the employee to make voluntary contributions to the plan. The employer matches up to a 3% discretionary match. In addition, the employer may, at its discretion, make an additional profit sharing contribution to the plan. Contributions to the plan charged to operations were \$33,962 in 2016 and \$35,174 in 2015.

### 14. OPERATING LEASES

Effective June 30, 2004, the Organization entered into a lease with Indiana - Purdue Foundation of Fort Wayne for the land at 3201 Stelhorn Road, Fort Wayne, Indiana. The term of the lease is fifty years at no cost to the Organization. The Organization may use the location to construct, maintain and operate a facility containing a high-tech business incubator. Upon termination of the lease, the facility and all other improvements on the land shall become the exclusive property of Indiana - Purdue Foundation of Fort Wayne.

The Organization leases equipment under operating leases expiring through 2018. Total rental expense under these leases was \$3,479 in 2016 and \$3,671 2015.

Minimum future lease payments under noncancelable leases or agreements having initial or remaining terms of one year or more as of December 31, 2016 for each of the next five years and in the aggregate are:

2017	\$	2,573
2018		124
2019		-
2020 and thereafter		-
		<hr/>
	\$	<u>2,697</u>

## 15. CAPITAL LEASE

The Organization leases office equipment under a capital lease expiring in December 2019. Assets under capital leases are capitalized using interest rates appropriate at the inception of the lease. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense. At December 31, 2016, the gross amount of equipment and related accumulated amortization recorded under the capital lease was as follows:

Telephone equipment	\$	45,379
Less accumulated amortization		<u>12,425</u>
	\$	<u>32,954</u>

The present value of future minimum capital lease payments is as follows:

2017	\$	11,640
2018		11,640
2019		<u>10,670</u>
Total minimum lease payments		33,950
Less amount representing interest		<u>4,594</u>
Present value of net minimum capital lease payments	\$	<u>29,356</u>

Total amount of interest charged to operations on the capital lease was \$3,531 in 2016 and \$4,744 in 2015.

## 16. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

Cash used in operating activities include:

	2016	2015
Interest paid	\$ 5,116	\$ 17,200
Income taxes paid	\$ 18,582	\$ 3,100

Noncash investing and financing activities during 2015 include the purchase of a telephone system with a value of \$45,379 via a capital lease.

**17. CHANGE IN NET ASSETS BEFORE INCOME TAX, INTEREST EXPENSE, DEPRECIATION AND AMORTIZATION**

Change in net assets before income tax, depreciation and amortization at December 31:

	<b>2016</b>	<b>2015</b>
Change in net assets	\$ (202,108)	\$ (293,683)
Addback:		
Income tax expense (overpayment)	(8,552)	15,752
Interest expense	6,866	15,959
Depreciation and amortization	<u>384,037</u>	<u>397,519</u>
Change in net assets before income tax, interest expense, depreciation and amortization	<u>\$ 180,243</u>	<u>\$ 135,547</u>

**18. CONTINGENT LIABILITY**

The Organization has an employment agreement with its president and chief executive officer. Certain provisions of the agreement relating to termination without cause and constructive termination require the Organization to provide base salary and benefits continuity to the employee for a specified period of time.

**19. RELATED PARTY TRANSACTIONS**

The Organization incurred fees for legal services in the amount of \$15,740 in 2016 and \$5,813 in 2015 with a firm that employs a member of the board of directors.

**20. CONCENTRATIONS AND CREDIT RISK**

The Organization maintains its cash accounts at local banks. The cash and certificate of deposit balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As of December 31, 2016, deposits in excess of the insured amount totaled \$1,456,272.

The Organization receives a significant amount of its support from incremental tax financing. A reduction in this level of support, if it were to occur, may have an effect on the Organization's programs and activities.

## 21. IN-KIND CONTRIBUTIONS

The Organization received donated professional services and materials as follows during the year ended December 31:

	<b>2016</b>	<b>2015</b>
Program		
Repairs and maintenance	\$ -	\$ 2,275
Dues and subscriptions	-	463
Management and general		
Repairs and maintenance	-	225
Dues and subscriptions	696	41
Fund raising		
Repairs and maintenance	1,750	1,400
Special events		
Direct benefit to donors	<u>4,800</u>	<u>10,576</u>
Total in-kind	<u>\$ 7,246</u>	<u>\$ 14,980</u>

## 22. PROVISION FOR INCOME TAXES

The Organization has provided for income taxes as follows:

	<b>2016</b>	<b>2015</b>
Current		
Federal	\$ (6,956)	\$ 8,669
State	\$ (1,596)	\$ 3,996

**23. INNOVATION CENTER CAMPUS - BUILDING ONE FUNDING**

The following is a summary of the financial grants and awards to the Organization to be used for the construction and operation of the Innovation Center Campus - Building One. Construction was completed on September 1, 2005.

<u>DATE</u>	<u>GRANTOR</u>	<u>AMOUNT</u>	<u>USE</u>
January 2004	U.S. Department of Housing and Urban Development - Economic Development Initiative Funds (through the city of Fort Wayne)	\$ 795,280	Construction
January 2004	U.S. Small Business Administration	\$ 975,311	Operations
February 2004	U.S. Department of Health and Human Services	\$ 491,782	Equipment for center
February 2004	State of Indiana (through city of Fort Wayne Redevelopment Commission)	\$ 450,000	Certified Technology Park
September 2004	State of Indiana (through Indiana University - Purdue University Fort Wayne)	\$ 1,500,000	Start Up Expenditures (Quality Improvement Fund)
September 2004	State of Indiana (through Indiana University - Purdue University Fort Wayne)	\$ 5,000,000	Construction
October 2004	City of Fort Wayne	\$ 1,500,000	Construction

**24. INNOVATION CENTER CAMPUS - BUILDING TWO FUNDING**

The construction of Building Two on the Innovation Center Campus began in November 2007. Total cost of construction was \$5,820,000 with a State of Indiana grant of \$5,000,000 providing the major funding for the project. The grant was authorized by state legislators in December 2007 and was passed through Indiana University - Purdue University, Fort Wayne. The \$5,000,000 grant was received by the Organization in January 2008. The building was completed and occupied in 2009.

**25. INNOVATION CENTER CAMPUS - PHASE THREE FUNDING**

Development costs for Phase Three of the Innovation Center Campus are \$45,856 and have been recorded as construction in progress. The total construction cost of Phase Three is unknown as of December 31, 2016.

**26. COMMITMENTS**

During 2016, the Organization entered into an agreement with Current Mechanical for environmental maintenance. The term of the agreement is for 36 months starting January 1, 2017. The agreement calls for monthly payments of \$3,824 through December 31, 2019. No expense was incurred under this agreement in 2016.

**27. RECLASSIFICATION**

Net assets at December 31, 2015 have been reclassified to correct an error in recording temporarily restricted net assets. These net assets were not donor restricted and should have been recorded as unrestricted net assets. The reclassification resulted in an increase in unrestricted net assets and a decrease in temporarily restricted net assets totaling \$220,610.



**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

December 31, 2016

	<b>Northeast Indiana Innovation Center, Inc.</b>	<b>Innovative Property Management Group, LLC</b>	<b>Innovative Livestock Group, LLC</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,800,941	\$ 27,898	\$ 4,122
Receivables:			
Trade - net of allowance for doubtful accounts of \$15,000	107,085	-	-
Accounts receivable - related party	521,764	4,683	-
Pledges - net	68,500	-	-
Note receivable	26,750	-	-
Refundable income taxes	20,982	-	-
Inventory	-	-	-
Prepaid expenses	35,960	-	-
Investments	288,663	221,622	-
Property and equipment - net	9,928,419	104,170	-
Construction in progress	45,856	-	-
	<b>Total Assets</b>	<b>\$ 358,373</b>	<b>\$ 4,122</b>
	<b>\$ 12,844,920</b>	<b>\$ 358,373</b>	<b>\$ 4,122</b>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts payable	\$ 86,906	\$ 3,325	\$ 2,035
Accounts payable - related party	-	521,764	4,683
Accrued expenses	80,689	6,771	4,000
Income tax payable	-	-	-
Deferred revenue	7,875	-	-
Deposits	44,046	1,200	-
Capital lease	29,356	-	-
Leasehold mortgage note payable	-	-	-
	<b>Total Liabilities</b>	<b>533,060</b>	<b>10,718</b>
	<b>248,872</b>	<b>533,060</b>	<b>10,718</b>
Net Assets:			
Unrestricted:			
Controlling interest	12,487,298	(174,687)	(3,116)
Non-controlling interest	-	-	(3,480)
Total unrestricted	12,487,298	(174,687)	(6,596)
Temporarily restricted	108,750	-	-
	<b>Total Net Assets</b>	<b>(174,687)</b>	<b>(6,596)</b>
	<b>12,596,048</b>	<b>(174,687)</b>	<b>(6,596)</b>
	<b>\$ 12,844,920</b>	<b>\$ 358,373</b>	<b>\$ 4,122</b>

See independent auditors' report.

<b>Innovative Technology Group, LLC</b>	<b>Eliminations</b>	<b>Consolidated</b>
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\$ 194,944	\$ -	\$ 2,027,905
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117,477	-	224,562
---------	---	---------

-	(526,447)	-
---	-----------	---

-	-	68,500
---	---	--------

-	-	26,750
---	---	--------

-	-	20,982
---	---	--------

45,544	-	45,544
--------	---	--------

752	-	36,712
-----	---	--------

-	(221,622)	288,663
---	-----------	---------

3,893	-	10,036,482
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-	-	45,856
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<u>\$ 362,610</u>	<u>\$ (748,069)</u>	<u>\$ 12,821,956</u>
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\$ 46,299	\$ -	\$ 138,565
-----------	------	------------

-	(526,447)	-
---	-----------	---

18,546	-	110,006
--------	---	---------

-	-	-
---	---	---

273	-	8,148
-----	---	-------

-	-	45,246
---	---	--------

-	-	29,356
---	---	--------

-	-	-
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65,118	(526,447)	331,321
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224,738	(221,622)	12,312,611
---------	-----------	------------

72,754	-	69,274
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<u>297,492</u>	<u>(221,622)</u>	<u>12,381,885</u>
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-	-	108,750
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<u>297,492</u>	<u>(221,622)</u>	<u>12,490,635</u>
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<u>\$ 362,610</u>	<u>\$ (748,069)</u>	<u>\$ 12,821,956</u>
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**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES - UNRESTRICTED**  
Year Ended December 31, 2016

	<b>Northeast Indiana Innovation Center, Inc.</b>	<b>Innovative Property Management Group, LLC</b>
<b>CHANGE IN NET ASSETS</b>		
<b>Support and Revenue:</b>		
Contributions	\$ 50,750	\$ -
Federal grants	150,000	-
Government fee for service	100,000	-
Incremental tax financing funds	565,046	-
Program service fees	1,099,127	-
Technology service income	-	61,797
Sales - net of cost of sales of \$829,512	-	-
Special events	117,675	-
Less: direct benefit to donors	(4,800)	-
Interest income	2,603	-
Investment income	1,750	129,918
Gifts in-kind	696	-
Other income	2,433	-
<b>Net Assets Released From Restrictions:</b>		
Satisfaction of purpose requirements	144,001	-
Satisfaction of time requirements	22,302	-
	<hr/>	<hr/>
<b>Total Support and Revenue:</b>	2,251,583	191,715
<b>Expenses and Losses:</b>		
Program services	1,861,293	244,966
Management and general	372,631	-
Fundraising	125,454	-
Loss on investment	36,184	-
	<hr/>	<hr/>
<b>Total Expenses and Losses</b>	2,395,562	244,966
<b>Change in Net Assets</b>	(143,979)	(53,251)
<b>NET ASSETS - beginning of year</b>	12,631,277	(121,436)
<b>CAPITAL CONTRIBUTION</b>	-	-
<b>DISTRIBUTIONS</b>	<hr/>	<hr/>
<b>NET ASSETS - end of year</b>	<u>\$ 12,487,298</u>	<u>\$ (174,687)</u>

See independent auditors' report.

<b>Innovative Livestock Group, LLC</b>	<b>Innovative Technology Group, LLC</b>	<b>Eliminations</b>	<b>Consolidated</b>
\$ -	\$ -	\$ -	\$ 50,750
-	-	-	150,000
-	-	-	100,000
-	-	-	565,046
1,200	-	(187,701)	912,626
-	528,596	(92,400)	497,993
-	114,118	-	114,118
-	-	-	117,675
-	-	-	(4,800)
-	-	-	2,603
-	-	(129,918)	1,750
-	-	-	696
194	-	-	2,627
-	-	-	144,001
-	-	-	22,302
<hr/>	<hr/>	<hr/>	<hr/>
1,394	642,714	(410,019)	2,677,387
22,975	437,540	(280,101)	2,286,673
-	-	-	372,631
-	-	-	125,454
-	-	-	36,184
<hr/>	<hr/>	<hr/>	<hr/>
22,975	437,540	(280,101)	2,820,942
(21,581)	205,174	(129,918)	(143,555)
4,985	252,018	(193,404)	12,573,440
10,000	-	(10,000)	-
-	159,700	(111,700)	48,000
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ (6,596)</u>	<u>\$ 297,492</u>	<u>\$ (221,622)</u>	<u>\$12,381,885</u>

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATING SCHEDULE OF CHANGES IN NET ASSETS - UNRESTRICTED**  
Year Ended December 31, 2016

	Northeast Indiana Innovation Center, Inc.	Innovative Property Management Group, LLC	Innovative Livestock Group, LLC		Innovative Technology Group, LLC		Eliminations	Consolidated
			Controlling Interest	Non- Controlling Interest	Controlling Interest	Non- Controlling Interest		
Net assets - beginning	\$ 12,631,277	\$ (121,436)	\$ 1,991	\$ 2,994	\$ 191,413	\$ 60,605	\$ (193,404)	\$ 12,573,440
Capital contribution	-	-	10,000	-	-	-	(10,000)	-
Distributions	-	-	-	-	(111,700)	(48,000)	111,700	(48,000)
Increase (decrease) in net assets	<u>(143,979)</u>	<u>(53,251)</u>	<u>(15,107)</u>	<u>(6,474)</u>	<u>145,025</u>	<u>60,149</u>	<u>(129,918)</u>	<u>(143,555)</u>
Net assets - ending	<u>\$ 12,487,298</u>	<u>\$ (174,687)</u>	<u>\$ (3,116)</u>	<u>\$ (3,480)</u>	<u>\$ 224,738</u>	<u>\$ 72,754</u>	<u>\$ (221,622)</u>	<u>\$ 12,381,885</u>

See independent auditors' report.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2016 with Summarized Information for December 31, 2015

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>
Salaries	\$ 557,544	\$ 128,866	\$ 91,764
Employee benefits	98,264	20,254	20,221
Payroll taxes	42,033	9,233	6,924
	<b>Total Salaries and Related Expenses</b>		
	697,841	158,353	118,909
Occupancy	282,341	36,737	-
Guaranteed salary to ITG minority owners	168,000	-	-
Marketing	152,920	2,273	6,250
Legal and accounting	26,560	87,205	-
Program expense	86,978	-	-
Consulting fees	69,457	-	-
Travel and entertainment	60,335	4,919	-
Repairs and maintenance	60,804	3,076	-
Employee training/improvement	51,015	10,620	-
Office supplies	47,843	4,199	-
IT management and data services	31,584	5,432	-
Small office equipment	33,073	3,335	-
Miscellaneous	30,115	3,035	-
Insurance	27,600	5,239	-
Printing and postage	24,447	2,621	-
Dues and subscriptions	21,043	1,926	-
Student scholarships and sponsorships	20,895	-	-
Telephone	17,986	1,288	-
Meetings	12,805	1,315	-
Contract services	13,642	-	-
Interest	6,206	660	-
Payroll administrative fee	2,386	413	295
Bad debt expense	-	2,297	-
Taxes	(5,552)	-	-
	<b>Total Expenses Before Depreciation</b>		
	1,940,324	334,943	125,454
Depreciation	346,349	37,688	-
	<b>Total Expenses</b>		
	\$ 2,286,673	\$ 372,631	\$ 125,454

See independent auditors' report.

<b>2016</b>	<b>2015</b>
<b>Total</b>	<b>Total</b>
\$ 778,174	\$ 748,649
138,739	155,925
58,190	51,909
975,103	956,483
319,078	309,056
168,000	168,000
161,443	90,226
113,765	43,260
86,978	10,161
69,457	32,575
65,254	59,471
63,880	104,285
61,635	48,181
52,042	46,608
37,016	53,506
36,408	95,859
33,150	29,534
32,839	34,455
27,068	31,114
22,969	23,642
20,895	25,998
19,274	19,549
14,120	11,527
13,642	36,642
6,866	15,959
3,094	2,209
2,297	1,280
(5,552)	18,473
2,400,721	2,268,053
384,037	397,519
\$ 2,784,758	\$ 2,665,572

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**CONSOLIDATING SCHEDULE OF PROGRAM SERVICES**  
Year Ended December 31, 2016

	<b>Northeast Indiana Innovation Center, Inc.</b>	<b>Innovative Property Management Group, LLC</b>	<b>Innovative Livestock Group, LLC</b>
Salaries	\$ 416,964	\$ 21,758	\$ -
Employee benefits	52,444	-	-
Payroll taxes	30,006	2,621	-
<b>Total Salaries and Related Expenses</b>	499,414	24,379	-
Bad debt expense	-	-	-
Consulting fees	69,457	-	-
Contract services	8,321	4,187	1,134
Dues and subscriptions	17,329	1,665	300
Employee training/improvement	51,015	-	-
Guaranteed salary to ITG minority owners	-	-	-
Insurance	24,069	379	-
Interest	5,945	261	-
IT management and data services	48,882	899	15,703
Legal and accounting	-	12,460	1,546
Marketing	152,323	10	587
Management fees	-	144,309	-
Meetings	11,824	-	688
Miscellaneous	27,304	-	492
Occupancy	330,642	2,099	-
Office supplies	37,789	9,436	189
Payroll administrative fee	1,340	-	-
Printing and postage	23,587	20	-
Program expenses	86,978	-	-
Taxes	(8,552)	2,760	-
Repairs and maintenance	27,674	33,130	-
Student scholarships and sponsorships	20,895	-	-
Small office equipment	30,020	3,053	-
Telephone	11,590	900	-
Travel and entertainment	44,263	(1,393)	2,336
<b>Total Expenses Before Depreciation</b>	1,522,109	238,554	22,975
Depreciation	339,184	6,412	-
<b>Total Expenses</b>	<b>\$ 1,861,293</b>	<b>\$ 244,966</b>	<b>\$ 22,975</b>

See independent auditors' report.



<b>Innovative Technology Group, LLC</b>	<b>Eliminations</b>	<b>Consolidated</b>
\$ 118,822	\$ -	\$ 557,544
45,820	-	98,264
9,406	-	42,033
<hr/>	<hr/>	<hr/>
174,048	-	697,841
-	-	-
-	-	69,457
-	-	13,642
1,749	-	21,043
-	-	51,015
168,000	-	168,000
3,152	-	27,600
-	-	6,206
8,100	(42,000)	31,584
12,554	-	26,560
-	-	152,920
-	(144,309)	-
293	-	12,805
2,319	-	30,115
43,392	(93,792)	282,341
429	-	47,843
1,046	-	2,386
840	-	24,447
-	-	86,978
240	-	(5,552)
-	-	60,804
-	-	20,895
-	-	33,073
5,496	-	17,986
15,129	-	60,335
<hr/>	<hr/>	<hr/>
436,787	(280,101)	1,940,324
753	-	346,349
<hr/>	<hr/>	<hr/>
<u>\$ 437,540</u>	<u>\$ (280,101)</u>	<u>\$ 2,286,673</u>

