

Consolidated Financial Statements

NORTHEAST INDIANA INNOVATION CENTER, INC. AND AFFILIATES

*Years ended December 31, 2021 and 2020
with Independent Auditor's Report*

Northeast Indiana Innovation Center, Inc. and Affiliates

Consolidated Financial Statements

Years ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Northeast Indiana Innovation Center, Inc.

Opinion

We have audited the accompanying financial statements of Northeast Indiana Innovation Center, Inc. and affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Indiana Innovation Center, Inc. and affiliates as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Northeast Indiana Innovation Center, Inc. and affiliates 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.

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 Northeast Indiana Innovation Center, Inc. and affiliates' ability to continue as a going concern within 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 generally accepted 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, including omissions, 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, 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 Northeast Indiana Innovation Center, Inc. and affiliates' 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 Northeast Indiana Innovation Center, Inc. and affiliates' 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.

Haines, Asenbarger & Skiba, LLC

Fort Wayne, Indiana
February 25, 2022

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Financial Position

	December 31,	
	2021	2020
Assets		
Cash and cash equivalents	\$ 927,410	\$ 1,160,244
Receivables:		
Trade accounts receivable, less		
allowances of \$6,574 in 2021 and \$7,500 in 2020	95,497	69,725
Notes receivable	49,567	49,082
Grants and contributions receivable	272,472	312,728
	<u>417,536</u>	<u>431,535</u>
Prepaid expenses	23,893	26,130
Investments	255,969	255,969
Property and equipment:		
Building	13,325,557	13,325,557
Leasehold improvements	334,647	268,488
Office equipment	1,198,467	1,163,455
Vehicles	59,795	59,795
	<u>14,918,466</u>	<u>14,817,295</u>
Less accumulated depreciation	6,553,994	6,070,898
	<u>8,364,472</u>	<u>8,746,397</u>
Total assets	<u>\$ 9,989,280</u>	<u>\$ 10,620,275</u>
Liabilities and net assets		
Liabilities:		
Line of credit borrowings	\$ 200,000	\$ 200,000
Refundable advance	271,373	120,200
Accounts payable	55,530	60,392
Accrued liabilities	71,080	85,937
Deferred revenue	63,003	36,514
Deposits	77,349	54,598
Capital lease obligation	24,542	60,523
Long-term debt	150,000	150,000
Total liabilities	<u>912,877</u>	<u>768,164</u>
Net assets:		
Without donor restrictions	8,939,816	9,499,219
With donor restrictions	136,587	352,892
Total net assets	<u>9,076,403</u>	<u>9,852,111</u>
Total liabilities and net assets	<u>\$ 9,989,280</u>	<u>\$ 10,620,275</u>

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Activities

	Year ended December 31	
	2021	2020
Changes in net assets without donor restrictions		
Support, revenues and gains:		
Program service fees	\$ 611,319	\$ 610,427
Tax Increment Financing funding	100,000	100,000
Grants and contributions	778,377	815,928
Investment income	3,100	3,207
Special events revenue	-	57,900
less special event expense	-	(14,175)
Special events, net	-	43,725
Other	33,349	42,512
	<u>1,526,145</u>	1,615,799
Net assets released from restrictions	261,305	229,641
Total support, revenues and gains	<u>1,787,450</u>	1,845,440
Expenses:		
Program services	1,895,896	2,062,603
Supporting services:		
Management and general	361,844	397,903
Fundraising	89,113	134,277
Total supporting services	<u>450,957</u>	532,180
Total expenses	<u>2,346,853</u>	2,594,783
Decrease in net assets without donor restrictions	<u>(559,403)</u>	(749,343)
Changes in net assets with donor restrictions		
Contributions	45,000	107,633
Net assets released from restrictions	<u>(261,305)</u>	(229,641)
Decrease in net assets with donor restrictions	<u>(216,305)</u>	(122,008)
Decrease in net assets	<u>(775,708)</u>	(871,351)
Net assets at beginning of year	9,852,111	10,723,462
Net assets at end of year	<u>\$ 9,076,403</u>	<u>\$ 9,852,111</u>

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	<u>Supporting Services</u>				Total
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related expenses					
Salaries	\$ 373,702	\$ 134,299	\$ 75,908	\$ 210,207	\$ 583,909
Employee benefits	36,570	13,142	7,429	20,571	57,141
Payroll taxes	28,437	10,220	5,776	15,996	44,433
Total salaries and related expenses	<u>438,709</u>	<u>157,661</u>	<u>89,113</u>	<u>246,774</u>	<u>685,483</u>
Other expenses					
Bad debts	-	4,750	-	4,750	4,750
Consulting services	230,006	13,336	-	13,336	243,342
Contract services	52,263	-	-	-	52,263
Dues and subscriptions	26,464	2,940	-	2,940	29,404
Conferences and trainings	14,270	22,435	-	22,435	36,705
Insurance	37,226	4,136	-	4,136	41,362
Interest	13,082	1,454	-	1,454	14,536
IT management and data services	36,369	4,041	-	4,041	40,410
Legal and accounting	-	54,767	-	54,767	54,767
Marketing	191,573	7,881	-	7,881	199,454
Miscellaneous	16,604	1,503	-	1,503	18,107
Occupancy	223,362	24,818	-	24,818	248,180
Office, facility and equipment supplies	30,790	3,421	-	3,421	34,211
Printing and postage	3,934	437	-	437	4,371
Program expenses	56,865	-	-	-	56,865
Repairs and maintenance	81,247	9,027	-	9,027	90,274
Small office equipment	2,397	266	-	266	2,663
Travel and entertainment	5,948	661	-	661	6,609
Total expenses before depreciation	<u>1,461,109</u>	<u>313,534</u>	<u>89,113</u>	<u>402,647</u>	<u>1,863,756</u>
Depreciation	434,787	48,310	-	48,310	483,097
Total expenses allocated functionally	<u>1,895,896</u>	<u>361,844</u>	<u>89,113</u>	<u>450,957</u>	<u>2,346,853</u>
Less special events expenses	-	-	-	-	-
Total expenses included in the statement of activities	<u>\$ 1,895,896</u>	<u>\$ 361,844</u>	<u>\$ 89,113</u>	<u>\$ 450,957</u>	<u>\$ 2,346,853</u>

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related expenses					
Salaries	\$ 488,481	\$ 175,548	\$ 99,223	\$ 274,771	\$ 763,252
Employee benefits	58,506	21,026	11,884	32,910	91,416
Payroll taxes	34,333	12,338	6,974	19,312	53,645
Total salaries and related expenses	<u>581,320</u>	<u>208,912</u>	<u>118,081</u>	<u>326,993</u>	<u>908,313</u>
Other expenses					
Bad debts	-	7,500	-	7,500	7,500
Consulting services	187,412	13,997	-	13,997	201,409
Contract services	61,598	-	-	-	61,598
Dues and subscriptions	40,417	4,491	-	4,491	44,908
Conferences and trainings	8,136	13,379	2,107	15,486	23,622
Insurance	30,592	3,399	-	3,399	33,991
Interest	3,061	340	-	340	3,401
IT management and data services	42,260	4,696	-	4,696	46,956
Legal and accounting	-	34,566	-	34,566	34,566
Marketing	240,242	14,132	28,264	42,396	282,638
Meetings	12,794	1,422	-	1,422	14,216
Miscellaneous	18,460	4,109	-	4,109	22,569
Occupancy	217,099	24,122	-	24,122	241,221
Office, facility and equipment supplies	46,507	5,167	-	5,167	51,674
Printing and postage	15,119	1,680	-	1,680	16,799
Program expenses	53,673	-	-	-	53,673
Repairs and maintenance	67,856	7,540	-	7,540	75,396
Small office equipment	3,101	345	-	345	3,446
Travel and entertainment	4,663	518	-	518	5,181
Total expenses before depreciation	<u>1,634,310</u>	<u>350,315</u>	<u>148,452</u>	<u>498,767</u>	<u>2,133,077</u>
Depreciation	428,293	47,588	-	47,588	475,881
Total expenses allocated functionally	<u>2,062,603</u>	<u>397,903</u>	<u>148,452</u>	<u>546,355</u>	<u>2,608,958</u>
Less special events expenses	-	-	(14,175)	(14,175)	(14,175)
Total expenses included in the statement of activities	<u>\$ 2,062,603</u>	<u>\$ 397,903</u>	<u>\$ 134,277</u>	<u>\$ 532,180</u>	<u>\$ 2,594,783</u>

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Cash Flows

	Year ended December 31	
	2021	2020
Operating activities		
Decrease in net assets	\$ (775,708)	\$ (871,351)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	483,097	475,881
Provision for bad debts	4,750	7,500
Change in operating assets and liabilities:		
Trade accounts receivable	(30,522)	(61,101)
Notes receivable	(485)	34,455
Grants and contributions receivable	40,256	92,839
Prepaid expenses	2,237	17,810
Refundable advance	151,173	120,200
Accounts payable	(4,862)	9,136
Accrued liabilities	(14,857)	32,884
Deferred revenue	26,489	15,441
Deposits	22,751	2,636
Net cash used in operating activities	<u>(95,681)</u>	<u>(123,670)</u>
Investing activity —purchases of property and equipment	(101,172)	-
Financing activities		
Proceeds from borrowings on line of credit	-	200,000
Proceeds from issuance of long-term debt	-	150,000
Payments on capital lease obligation	(35,981)	(34,553)
Net cash provided by (used in) financing activities	<u>(35,981)</u>	<u>315,447</u>
Increase (decrease) in cash and cash equivalents	(232,834)	191,777
Cash and cash equivalents at beginning of year	1,160,244	968,467
Cash and cash equivalents at end of year	<u>\$ 927,410</u>	<u>\$ 1,160,244</u>
Supplemental disclosure		
Interest paid	\$ 10,411	\$ 3,401

See accompanying notes.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements

December 31, 2021

1. Organization

Northeast Indiana Innovation Center, Inc. (the NIIC or Organization) is a non-profit, community-based entrepreneurial resource center that assists in the growth and development of innovative companies in Northeast Indiana. The NIIC is a 2020 International Business Innovation Association (InBIA) Entrepreneur Center of the year award recipient. Our organization offers comprehensive and inclusive business building support through shared office/lab services; organized networking; mentorship; technical and business advisory assistance; marketing and grant research; business model/plan support; training services and access to capital. Business operations commenced in April 2000, and program services commenced in August 2001. The NIIC is the country's only ISO9001: 2015 registered business incubation and acceleration program.

The Organization's Mission is as follows:

To Be Fuel for Ideas, People & Companies.

The Organization's Vision is as follows:

Growing & Inspiring Global Business Builders.

Innovative Property Management Group, LLC (IPMG) is a for profit limited liability company established in 2010 that is wholly-owned by the NIIC. Its goal is to invest, partner and work with entrepreneurs and founders to build entrepreneurial community and ventures that stay local and grow employment in our community. IPMG provides the NIIC and its clients property management services efficiently, effectively and economically.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the NIIC and its wholly owned affiliate, IPMG. Significant inter-affiliate accounts and transactions have been eliminated in consolidation.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The NIIC maintains cash accounts at local banks. From time to time during the year, the NIIC's cash accounts exceeded federally insured limits. The NIIC performs periodic evaluations of the relative credit standing of those financial institutions that are considered in its investment strategy.

Trade Accounts Receivable

Accounts receivable are stated at cost less an allowance for doubtful accounts. On a periodic basis the NIIC evaluates its trade accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-off and collections and current credit conditions. The NIIC's policy is not to accrue interest on trade receivables. Receivables over 90 days are considered for collection on a customer-by-customer basis. Management has established an allowance for doubtful accounts of \$6,574 and \$7,500 at December 31, 2021 and 2020, respectively.

Investments

Investments are accounted for using the cost method and reported at historical cost when the NIIC has no substantial influence over the investee (generally considered to be an investment of 20 percent or less). The fair values of the NIIC's cost method investments were not estimated at December 31, 2021 and 2020 because it is not practicable to estimate fair value, and there were no identified events or changes in circumstances that may have had a significant adverse effect on the fair value.

Investments are accounted for using the equity method when the NIIC has significant influence over the investee's operating and financial policies (generally considered to be an investment between 20 percent and 50 percent). The NIIC had no investments accounted for using the equity method at December 31, 2021 and 2020.

Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation, except for property and equipment that has been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. Building and improvements and equipment with a cost or value of \$5,000 or more and a useful life of one year or more are capitalized.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Property and Equipment (continued)

Depreciation is computed by the straight-line method over the following estimated useful lives:

Building	7-39 years
Leasehold improvements	5-39 years
Lab equipment	7 years
Office equipment	3-7 years
Vehicles	7 years

Expenditures for normal repairs and maintenance are charged to expenses as incurred.

Program Service Fees, Special Event Revenue and Deferred Revenue

Program service fees and special event revenue are recognized on completion of a specific activity or event or proportionally over the period that other services take place. Deferred revenue consists of resident and other fees received for future periods.

Net Assets

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

Net Assets Without Donor Restrictions—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions—Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when received and released from restriction when the assets are placed in service.

Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Contributions and Grants and Contributions Receivable

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of assets other than cash are recorded at their fair market value. Contributions of services referred to herein as in-kind contributions are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. No contributed goods or services were received in 2021 and 2020.

Grants and contributions receivable consist of unconditional promises to give that are expected to be collected in future years and grants classified as conditional promises to the extent that conditions have been met but reimbursement from the grantor has not yet been received. Grants and contributions receivable are reported as support with donor restrictions unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Grants and contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions and grants in the statements of activities.

Government Grants

A portion of the NIIC's revenue is derived from cost-reimbursable federal and state contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the NIIC has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Conditional grants pursuant to such arrangements that had not been recognized were \$1,598,000 and \$313,000 at December 31, 2021 and 2020, respectively. Of the \$313,000 of conditional grants awarded at December 31, 2020, \$289,000 was recognized in revenue in 2021. Of the \$1,161,000 of conditional grants awarded at December 31, 2019, \$333,000 was recognized in revenue in 2020. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Government Grants (continued)

The NIIC received Paycheck Protection Program loans from the U.S. Small Business Administration during 2020 and 2021. The first loan was forgiven in accordance with the terms of the Coronavirus Aid Relief and Economic Security Act, and \$120,000 was recorded as contribution revenue in 2021. Management expects the second loan to also be forgiven and has accounted for it as a conditional contribution. Accordingly, the Center has recorded a refundable advance of \$120,200 for the second forgivable loan as of December 31, 2021 and will recognize contribution revenue when that loan has been forgiven.

Advertising and Marketing

Advertising and marketing costs are expensed when incurred. Advertising and marketing costs were \$199,455 in 2021 and \$282,638 in 2020. A significant component of the Organization's expenditures are designated expenditures complying with approved funds in grants/awards.

Income Taxes

The NIIC is organized as an Indiana nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and has been determined not to be a private foundation under IRC Section 509(a)(1). The NIIC is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, the NIIC is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The NIIC files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

Management believes all of the entities comprising the NIIC are no longer subject to examination by taxing authorities for the years before December 31, 2018. The NIIC believes that it has appropriate support for any tax positions taken or expected to be taken on a tax return and as such, does not have any uncertain tax positions that should be recognized, measured or disclosed in the consolidated financial statements.

Use of Estimates

Preparation of the consolidated 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 in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 presentation.

Functional Allocation of Costs and Expenses

The cost of providing the programs and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance and other expenses, which are allocated on the basis of estimates of time and effort.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The continuing impact of the COVID-19 outbreak on the financial performance of the NIIC will depend of future developments which remain uncertain and cannot be predicted. If the financial markets and/or the overall economy continue to be impacted for an extended period, the Organization's financial results may be materially adversely affected.

Recently Issued Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for the NIIC's December 31, 2022 consolidated financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The NIIC is currently evaluating the effect of the pending adoption of the new standard on the consolidated financial statements.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	December 31	
	2021	2020
Cash and cash equivalents	\$ 927,410	\$ 1,160,244
Trade accounts receivable	95,497	69,725
Notes receivable, current portion	12,000	12,000
Grants and contributions receivable	272,472	312,728
	1,307,379	1,554,697
Less net assets with donor-imposed restrictions for specific purposes or future time periods	(136,587)	(352,892)
	\$ 1,170,792	\$ 1,201,805

The NIIC manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged.

The NIIC receives contributions each year from donors which are available to help meet its cash needs for general expenditures.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

4. Notes Receivable

Notes receivable consists of the following:

	December 31	
	2021	2020
Note receivable from client, 12%, payable on February 28, 2023, unsecured	\$ 13,787	\$ 25,787
Note receivable, 10%, payable on December 31, 2023, convertible into capital units at the lender's option	10,000	10,000
Note receivable, 10%, payable on March 15, 2022, convertible into capital units at the lender's option	10,000	10,000
Note receivable, 10%, payable on February 2, 2025, convertible into capital units at the lender's option	10,000	-
Note receivable from client, 3%, payable on December 16, 2021, unsecured	76	500
Accrued interest	5,704	2,795
	\$ 49,567	\$ 49,082

5. Grants and Contributions Receivable

Unconditional promises to give to the NIIC are recorded as grants and contributions receivable at the present value of future cash flows. All grants and contributions receivable at December 31, 2021 were due within one year. Grants and contributions receivable at December 31, 2020 include \$355,567 of pledges due within one year and \$50,000 of pledges due in one to five years.

6. Investments

Investments consist of the following:

	December 31	
	2021	2020
Allied Payment Network, Inc.	\$ 113,475	\$ 113,475
BioPoly, LLC	122,469	122,469
VisionTech Elevate K12 Holdings LLC	10,000	10,000
Hop River Brewing Company, LLC	10,000	10,000
Other	25	25
	\$ 255,969	\$ 255,969

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

7. Debt Arrangements

Long-term debt consists of a term loan with monthly payments of \$641, including principal and interest at 2.75 percent, beginning on July 1, 2022 and due on July 6, 2050. Substantially all of the NIIC's assets are pledged as collateral pursuant to the terms of the loan agreement.

Scheduled maturities of long-term debt at December 31, 2021 are as follows:

2022	\$ 1,680
2023	3,429
2024	3,525
2025	3,623
2026	3,724
Thereafter	134,019
	<u>\$ 150,000</u>

Pursuant to a revolving line of credit arrangement with a bank, the NIIC may borrow up to \$500,000 subject to certain terms and conditions. This line of credit arrangement is secured by accounts held at the bank and expires on March 15, 2022. The line of credit arrangement bears interest at the prime rate plus 0.5 percent but may not be lower than 4.5 percent (4.5 percent at December 31, 2021), which is due and payable monthly. Borrowings pursuant to this line of credit arrangement were \$200,000 at December 31, 2021 and 2020.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	December 31	
	2021	2020
Subject to expenditure for specified purpose:		
Breakthrough	\$ 91,587	\$ 195,259
Connected Health Lab	-	50,000
Student/women entrepreneurship programs	-	55,000
Server upgrade	-	12,633
	<u>91,587</u>	<u>312,892</u>
Subject to the passage of time	45,000	40,000
	<u>\$ 136,587</u>	<u>\$ 352,892</u>

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

8. Net Assets With Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	Year ended December 31	
	2021	2020
Expiration of time restrictions	\$ 40,000	\$ 40,000
Satisfaction of purpose restrictions:		
Connected Health Lab	50,000	50,000
Breakthrough	103,672	84,641
Student/women entrepreneurship programs	55,000	55,000
Server upgrade	12,633	-
	<u>221,305</u>	<u>189,641</u>
	<u>\$ 261,305</u>	<u>\$ 229,641</u>

9. Employee Benefit Plan

The NIIC sponsors a salary reduction plan under Section 401(k) of the IRC for all eligible employees. The plan allows participants to make voluntary contributions, and the employer contributes a matching contribution of 100 percent of employee contributions, up to 3 percent of eligible employee compensation. In addition, the employer may, at its discretion, make an additional profit sharing contribution to the plan. Contributions to the plan were \$17,790 in 2021 and \$35,216 in 2020.

10. Leases

In 2004 the NIIC entered into a 50-year lease with Indiana Purdue Foundation of Fort Wayne for the land on which the NIIC's facility is located at no cost to the NIIC. The NIIC is able to utilize 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 NIIC leases equipment pursuant to operating leases which expire in 2022. Total rent expense was \$6,137 in 2021 and 2020.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

10. Leases (continued)

In 2019 the NIIC entered into a capital lease agreement for wireless access points which expires in August 2022. Assets recorded pursuant to these agreements included in property and equipment consist of the following:

	December 31	
	2021	2020
Office equipment	\$ 142,413	\$ 142,413
Less accumulated amortization	114,722	67,251
	<u>\$ 27,691</u>	<u>\$ 75,162</u>

Amortization expense was \$47,471 in 2021 and 2020 and is included in depreciation expense for financial reporting purposes.

Future minimum lease payments as of December 31, 2021 pursuant to capital and operating leases that have initial or remaining noncancelable terms in excess of one year are as follows:

	Capital Leases	Operating Leases
2022	\$ 25,188	\$ 3,608
Total minimum lease payments	25,188	<u>3,608</u>
Less amounts representing interest	(646)	
Capital lease obligation	<u>\$ 24,542</u>	

The NIIC offers program services, office and lab services to clients pursuant to operating leases which expire at various dates through 2024. Lease revenue was \$594,791 in 2021 and \$588,816 in 2020 and is included in program service fees in the consolidated statements of activities.

Future minimum lease receipts as of December 31, 2021 pursuant to leases that have initial or remaining noncancelable terms in excess of one year are as follows:

2022	\$ 586,133
2023	329,986
2024	180,984
2025	150,180
2026	125,150
	<u>\$1,372,433</u>

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

11. Related Party Transactions

Certain members of the Board of Directors are employed by companies providing banking, legal services and other services to the NIIC. The fees paid to these companies were based on customary and reasonable rates for such services.

12. Subsequent Events

Management has evaluated subsequent events through February 25, 2022, the date on which the consolidated financial statements were available to be issued.