

Consolidated Financial Statements
and Supplementary Information

NORTHEAST INDIANA INNOVATION CENTER, INC. AND AFFILIATES

*Years ended December 31, 2017 and 2016
with Independent Auditor's Report*

Northeast Indiana Innovation Center, Inc. and Affiliates

Consolidated Financial Statements
and Supplementary Information

Years ended December 31, 2017 and 2016

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Independent Auditor's Report

Board of Directors
Northeast Indiana Innovation Center, Inc.

We have audited the accompanying consolidated financial statements of Northeast Indiana Innovation Center, Inc. and affiliates which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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 control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 from 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 auditor's 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 financial position of Northeast Indiana Innovation Center, Inc. and affiliates as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating statement of financial position as of December 31, 2017 and consolidating statement of activities for the year ended December 31, 2017 are presented for 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.

Other Matter—Unaudited Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying consolidated statement of changes in net assets before interest expense, income taxes, depreciation and amortization is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Matter—December 31, 2016 Consolidated Financial Statements and Supplementary Information

The consolidated financial statements of Northeast Indiana Innovation Center, Inc. and affiliates as of and for the year ended December 31, 2016, were audited by other auditors whose report dated June 29, 2017 expressed an unmodified opinion on those consolidated financial statements.

Haines, Asenbarger & Skiba, LLC

Fort Wayne, Indiana
March 2, 2018

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Financial Position

	December 31,	
	2017	2016
Assets		
Cash and cash equivalents	\$ 2,046,106	\$ 2,027,905
Receivables:		
Trade accounts receivable, less allowances of \$15,000 in 2017 and 2016	72,771	224,562
Notes receivable	83,917	26,750
Pledges receivable	64,888	68,500
	<u>221,576</u>	<u>319,812</u>
Refundable income taxes	-	20,982
Inventory	-	45,544
Prepaid expenses	22,993	36,712
Investments	225,969	288,663
Property and equipment:		
Building	13,311,132	13,311,132
Leasehold improvements	245,479	193,012
Lab equipment	83,237	83,237
Office equipment	797,804	763,091
Vehicles	59,795	59,782
Construction in progress	40,946	45,856
	<u>14,538,393</u>	<u>14,456,110</u>
Less accumulated depreciation	4,754,903	4,373,772
	<u>9,783,490</u>	<u>10,082,338</u>
Total assets	<u>\$ 12,300,134</u>	<u>\$ 12,821,956</u>
Liabilities, net assets and noncontrolling interest		
Accounts payable	\$ 30,640	\$ 138,565
Accrued liabilities	170,048	110,006
Income tax payable	40,010	-
Deferred revenue	9,134	8,148
Deposits	49,560	45,246
Capital lease obligation	21,138	29,356
Total liabilities	<u>320,530</u>	<u>331,321</u>
Net assets and noncontrolling interest		
Net assets:		
Unrestricted	11,893,488	12,312,611
Temporarily restricted	95,000	108,750
Total net assets	<u>11,988,488</u>	<u>12,421,361</u>
Noncontrolling interest	(8,884)	69,274
Total net assets and noncontrolling interest	<u>11,979,604</u>	<u>12,490,635</u>
Total liabilities, net assets and noncontrolling interest	<u>\$ 12,300,134</u>	<u>\$ 12,821,956</u>

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Activities

	Year ended December 31	
	2017	2016
Changes in unrestricted net assets		
Support, revenues and gains:		
Program service fees	\$ 759,160	\$ 912,626
Incremental tax financing funds	476,061	565,046
Grants and contributions	246,388	300,750
Technology sales and service income, net of cost of sales of \$829,512	-	612,111
Investment income	22,779	4,353
Special events, net	114,073	112,875
Gifts in-kind	14,288	696
Other	1,146	2,627
	<u>1,633,895</u>	<u>2,511,084</u>
Net assets released from restrictions	113,250	166,303
Total support, revenues and gains	<u>1,747,145</u>	<u>2,677,387</u>
Expenses and losses:		
Program services	1,864,255	2,286,673
Supporting services:		
Management and general	391,122	372,631
Fundraising	120,145	125,454
Total supporting services	<u>511,267</u>	<u>498,085</u>
Loss on investment and other long-lived asset	45,856	36,184
Total expenses and losses	<u>2,421,378</u>	<u>2,820,942</u>
Decrease in unrestricted net assets before other changes	(674,233)	(143,555)
Other changes in unrestricted net assets:		
Dissolution of noncontrolling interest	(72,754)	-
Distributions	-	(48,000)
Decrease in unrestricted net assets before discontinued operations	<u>(746,987)</u>	<u>(191,555)</u>
Discontinued operations	249,706	-
Decrease in unrestricted net assets	<u>(497,281)</u>	<u>(191,555)</u>
Changes in temporarily restricted net assets		
Contributions	99,500	107,750
Net assets released from restrictions	(113,250)	(166,303)
Decrease in temporarily restricted net assets	<u>(13,750)</u>	<u>(58,553)</u>
Decrease in net assets	<u>(511,031)</u>	<u>(250,108)</u>
Net assets at beginning of year	<u>12,490,635</u>	<u>12,740,743</u>
Net assets at end of year	<u>\$ 11,979,604</u>	<u>\$ 12,490,635</u>

See accompanying notes.

Northeast Indiana Innovation Center, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services			Supporting Services				
	Northeast Indiana Innovation Center, Inc.	Innovative Property Management Group, LLC	Eliminations	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses								
Salaries	\$ 405,573	\$ 16,642	\$ -	\$ 422,215	\$ 147,380	\$ 88,797	\$ 236,177	\$ 658,392
Employee benefits	61,163	-	-	61,163	22,329	13,592	35,921	97,084
Payroll taxes	27,823	1,272	-	29,095	10,158	6,183	16,341	45,436
Total salaries and related expenses	494,559	17,914	-	512,473	179,867	108,572	288,439	800,912
Other expenses								
Bad debt expense	-	-	-	-	1,355	-	1,355	1,355
Consulting fees	71,133	-	-	71,133	-	-	-	71,133
Contract services	5,075	489	-	5,564	-	-	-	5,564
Dues and subscriptions	25,319	1,898	-	27,217	2,813	-	2,813	30,030
Employee training/improvement	49,065	-	-	49,065	19,507	-	19,507	68,572
Insurance	24,400	767	-	25,167	5,212	-	5,212	30,379
Interest	2,207	606	-	2,813	245	-	245	3,058
IT management and data services	51,033	1,025	-	52,058	5,670	-	5,670	57,728
Legal and accounting	-	11,267	-	11,267	77,934	-	77,934	89,201
Marketing	95,182	3,643	-	98,825	5,599	11,198	16,797	115,622
Management fees	-	185,338	(185,338)	-	-	-	-	-
Meetings	12,016	-	-	12,016	1,335	-	1,335	13,351
Miscellaneous	24,265	84	-	24,349	2,696	-	2,696	27,045
Occupancy	305,835	1,819	(50,400)	257,254	33,982	-	33,982	291,236
Office supplies	22,929	10,010	-	32,939	2,548	-	2,548	35,487
Payroll administrative fee	1,688	-	-	1,688	616	375	991	2,679
Printing and postage	16,263	-	-	16,263	1,807	-	1,807	18,070
Program expenses	84,562	-	-	84,562	-	-	-	84,562
Taxes	36,052	3,013	-	39,065	-	-	-	39,065
Repairs and maintenance	27,596	43,340	-	70,936	3,066	-	3,066	74,002
Student scholarships and sponsorships	39,200	-	-	39,200	-	-	-	39,200
Small office equipment	31,884	1,436	-	33,320	3,543	-	3,543	36,863
Telephone	9,898	900	-	10,798	1,100	-	1,100	11,898
Travel and entertainment	33,034	(1,707)	-	31,327	3,670	-	3,670	34,997
Total expenses before depreciation	1,463,195	281,842	(235,738)	1,509,299	352,565	120,145	472,710	1,982,009
Depreciation	347,010	7,946	-	354,956	38,557	-	38,557	393,513
Total expenses	\$ 1,810,205	\$ 289,788	\$ (235,738)	\$ 1,864,255	\$ 391,122	\$ 120,145	\$ 511,267	2,375,522
Loss on long-lived asset								45,856
Total expenses and losses								<u>\$ 2,421,378</u>

See accompanying notes.

Northeast Indiana Innovation Center, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services					Supporting Services				
	Northeast Indiana Innovation Center, Inc.	Innovative Property Management Group, LLC	Innovative Livestock Group, LLC	Innovative Technology Group, LLC	Eliminations	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses										
Salaries	\$ 416,964	\$ 21,758	\$ -	\$ 118,822	\$ -	\$ 557,544	\$ 128,866	\$ 91,764	\$ 220,630	\$ 778,174
Employee benefits	52,444	-	-	45,820	-	98,264	20,254	20,221	40,475	138,739
Payroll taxes	30,006	2,621	-	9,406	-	42,033	9,233	6,924	16,157	58,190
Total salaries and related expenses	499,414	24,379	-	174,048	-	697,841	158,353	118,909	277,262	975,103
Other expenses										
Bad debt expense	-	-	-	-	-	-	2,297	-	2,297	2,297
Consulting fees	69,457	-	-	-	-	69,457	-	-	-	69,457
Contract services	8,321	4,187	1,134	-	-	13,642	-	-	-	13,642
Dues and subscriptions	17,329	1,665	300	1,749	-	21,043	1,926	-	1,926	22,969
Employee training/improvement	51,015	-	-	-	-	51,015	10,620	-	10,620	61,635
Guaranteed salary to ITG minority owners	-	-	-	168,000	-	168,000	-	-	-	168,000
Insurance	24,069	379	-	3,152	-	27,600	5,239	-	5,239	32,839
Interest	5,945	261	-	-	-	6,206	660	-	660	6,866
IT management and data services	48,882	899	15,703	8,100	(42,000)	31,584	5,432	-	5,432	37,016
Legal and accounting	-	12,460	1,546	12,554	-	26,560	87,205	-	87,205	113,765
Marketing	152,323	10	587	-	-	152,920	2,273	6,250	8,523	161,443
Management fees	-	144,309	-	-	(144,309)	-	-	-	-	-
Meetings	11,824	-	688	293	-	12,805	1,315	-	1,315	14,120
Miscellaneous	27,304	-	492	2,319	-	30,115	3,035	-	3,035	33,150
Occupancy	330,642	2,099	-	43,392	(93,792)	282,341	36,737	-	36,737	319,078
Office supplies	37,789	9,436	189	429	-	47,843	4,199	-	4,199	52,042
Payroll administrative fee	1,340	-	-	1,046	-	2,386	413	295	708	3,094
Printing and postage	23,587	20	-	840	-	24,447	2,621	-	2,621	27,068
Program expenses	86,978	-	-	-	-	86,978	-	-	-	86,978
Taxes	(8,552)	2,760	-	240	-	(5,552)	-	-	-	(5,552)
Repairs and maintenance	27,674	33,130	-	-	-	60,804	3,076	-	3,076	63,880
Student scholarships and sponsorships	20,895	-	-	-	-	20,895	-	-	-	20,895
Small office equipment	30,020	3,053	-	-	-	33,073	3,335	-	3,335	36,408
Telephone	11,590	900	-	5,496	-	17,986	1,288	-	1,288	19,274
Travel and entertainment	44,263	(1,393)	2,336	15,129	-	60,335	4,919	-	4,919	65,254
Total expenses before depreciation	1,522,109	238,554	22,975	436,787	(280,101)	1,940,324	334,943	125,454	460,397	2,400,721
Depreciation	339,184	6,412	-	753	-	346,349	37,688	-	37,688	384,037
Total expenses	\$ 1,861,293	\$ 244,966	\$ 22,975	\$ 437,540	\$ (280,101)	\$ 2,286,673	\$ 372,631	\$ 125,454	\$ 498,085	2,784,758
Loss on investment										36,184
Total expenses and losses										<u>\$ 2,820,942</u>

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Cash Flows

	Year ended December 31	
	2017	2016
Operating activities		
Decrease in net assets	\$ (511,031)	\$ (202,108)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	393,513	384,037
Loss on investment and other long-lived asset	45,856	36,184
Provision for bad debts	1,355	2,297
Change in operating assets and liabilities:		
Trade accounts receivable	150,436	3,565
Pledges receivable	(57,167)	33,303
Note and accrued interest receivable	3,612	(26,750)
Refundable income tax	20,982	(20,982)
Inventory	45,544	(40,579)
Prepaid expenses	13,719	(9,857)
Accounts payable	(107,925)	41,311
Accrued liabilities	60,042	52,015
Income tax payable	40,010	(6,152)
Deferred revenue	986	202
Deposits	4,314	(16,789)
Net cash provided by operating activities	104,246	229,697
Investing activities		
Distributions paid	-	(48,000)
Purchase of investments	(10,000)	(36,094)
Distribution from investment	72,694	59,302
Purchase of property and equipment	(140,521)	(158,699)
Redemption of certificates of deposit	-	100,000
Net cash used in investing activities	(77,827)	(83,491)
Financing activities		
Repayments of line of credit, net	-	(15,000)
Payments on capital lease obligation	(8,218)	(8,109)
Payments on mortgage note payable	-	(111,400)
Net cash used in financing activities	(8,218)	(134,509)
Increase in cash and cash equivalents	18,201	11,697
Cash and cash equivalents at beginning of year	2,027,905	2,016,208
Cash and cash equivalents at end of year	\$ 2,046,106	\$ 2,027,905
Supplemental disclosure of noncash activities		
Interest paid	\$ 3,058	\$ 5,116
Income taxes paid	-	18,582

See accompanying notes.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements

December 31, 2017

1. Organization

Northeast Indiana Innovation Center, Inc. (the NIIC) 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 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, and program services commenced in August 2001. The NIIC is the country's only ISO9001: 2008 registered business incubation and acceleration program.

The Mission of Northeast Indiana Innovation Center, Inc. is as follows:

To help business builders and entrepreneurs launch and grow successful businesses and ventures.

Its Vision is as follows:

To be known as a top entrepreneurial community of choice.

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.

Innovative Technology Group, LLC (ITG) is a for profit limited liability company established in 2011 which was 70 percent owned by IPMG. ITG provided the NIIC and its clients products and services for network design, setup and support. IPMG's interest in ITG was sold in August 2017.

Innovative Livestock Group, LLC (ILG) is a for profit limited liability company established in 2015 and is 70 percent owned by IPMG. 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.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies

Principles of Consolidation and Noncontrolling Interest

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

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 receivable. Receivables over 90 days are considered for collection on a customer-by-customer basis. Management has established an allowance for doubtful accounts of \$15,000 at December 31, 2017 and 2016, 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, 2017 and 2016 because 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, 2017 and 2016.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

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.

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 fees received for future periods.

Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor imposed restrictions placed upon them. In addition, the NIIC receives certain net assets for specific purposes or for later periods of time or after specified dates, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of the NIIC pursuant to those stipulations, occurrence of a stated event or the passage of a specified time period. When donor imposed stipulations are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Assets (continued)

Permanently restricted net assets include amounts whose use is limited by donor imposed restrictions which stipulate that resources be maintained permanently, but permits the NIIC to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

Contributions and Pledges Receivable

Contributions, including gifts, grants, bequests and other unconditional pledges, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are recorded at fair value, and in the case of pledges, net of uncollectible amounts and discounted if due over one year. Contributions are reported as temporarily restricted or permanently restricted support if they are received with time or donor-imposed stipulations that limit their use. Conditional contributions are not recorded as support and revenues until the conditions are 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. During 2017 and 2016, the fair market value of contributed goods and services recognized as revenue and expense in the accompanying statements of activities and changes in net assets was \$14,288 and \$7,246, respectively.

Pledges and grants 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. Pledges and grants receivable are reported as either temporarily or permanently restricted support 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. Pledges 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.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Government Grants

Support funded by government grants is recognized as NIIC performs the contracted services pursuant to grant agreements. Grant revenue is recognized as earned as the eligible expenditures are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

The NIIC received grants from the Small Business Administration pursuant to Catalog of Federal Domestic Assistance (CFDA) number 59.043 – Women’s Business Ownership Assistance which totaled \$146,388 in 2017 and \$150,000 in 2016.

The NIIC received grants from Allen County, Indiana, which totaled \$100,000 in 2017 and 2016.

Certified Technology Park Incremental Tax Financing Funds

In 2003 the State of Indiana designated the NIIC 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 NIIC began receiving incremental tax financing funds from the State of Indiana, passed through 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 revenue recognized pursuant to incremental tax financing funds was \$476,061 in 2017 and \$565,046 in 2016. The incremental tax financing funds for which the NIIC currently qualifies has a limit of \$5 million. As of December 31, 2017, \$4.624 million had been earned.

The NIIC 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 NIIC’s programs and activities.

Advertising and Marketing

Advertising and marketing costs are expensed when incurred. Advertising and marketing costs were \$115,622 in 2017 and \$104,036 in 2016.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Income Taxes

The NIIC 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 organizational described in Section 501(c)(3) and qualifies for the 50 percent charitable deduction limitation. The NIIC has been classified as an organization that is not a private foundation under Section 509(a) of the IRC. The NIIC is similarly exempt from state income taxes. However, the NIIC is subject to federal and state income taxes on its unrelated business income. As described in *Note 1*, the NIIC has a membership interest in certain for profit limited liability companies and engages in certain other activities which are subject to tax on unrelated business income.

Management believes all of the entities comprising the NIIC are no longer subject to examination by taxing authorities for years before December 31, 2014. The NIIC believes that it has appropriate support for any tax positions taken or expects 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.

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. Accordingly, costs have been classified based on direct expenditures and allocations among the program and supporting services benefited.

Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Recently Issued Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses) and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the NIIC in the fiscal year ending December 31, 2018; early adoption is allowed. The NIIC is currently evaluating the impact of the adoption of the standard on its consolidated financial statements.

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 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 statement of activities. The new standard is effective for the NIIC's December 31, 2020 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.

3. Discontinued Operations

In August 2017 the NIIC sold its 70 percent interest in ITG to the noncontrolling members. The assets, liabilities and operating results were consolidated into the NIIC's consolidated financial statements from its inception through 2016. In 2017 ITG's operations were reported as discontinued operations in the consolidated statement of activities. Summarized information regarding ITG's assets, liabilities and operating results as of and for the seven months ended July 31, 2017 is as follows:

Total assets	\$	461,708
Total liabilities		236,146
Revenues		787,038
Net income		129,345

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

3. Discontinued Operations (continued)

IPMG recognized a gain of \$220,288 on the sale of its interest in ITG.

During 2017 the decision was made to offer ILG for sale or transfer; therefore, its 2017 operating results have been shown as discontinued operations on the consolidated statement of activities.

IPMG and an outside investor formed Innovative Riverscape Group, LLC (IRG), a for profit limited liability company in June 2017. IPMG initially owned 30 percent of IRG; its ownership was increased to 40 percent in August 2017. IRG ceased operations during 2017 and is expected to be dissolved in 2018. IPMG recognized a loss of \$37,660 in 2017 in connection with its ownership of IRG, which is included in discontinued operations on the consolidated statement of activities.

4. Notes Receivable

Notes receivable consists of the following:

	December 31	
	2017	2016
Note receivable from client, 12%, payable on February 28, 2019, unsecured	\$ 25,000	\$ 25,000
Note receivable from client, 10%, payable on February 23, 2018, unsecured	50,000	-
Accrued interest	8,917	1,750
	<u>\$ 83,917</u>	<u>\$ 26,750</u>

5. Pledges and Grants Receivable

Unconditional promises to give to the NIIC are recorded as pledges receivable at the present value of future cash flows. All pledges receivable at December 31, 2017 and 2016 were due within one year.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

6. Investments

Investments consist of the following:

	December 31	
	2017	2016
Allied Payment Network, Inc.	\$ 93,475	\$ 93,475
BioPoly, LLC	122,469	122,469
Centerfield Capital Partners, LP	-	72,694
Hop River Brewing Company, LLC	10,000	-
Other	25	25
	\$ 225,969	\$ 288,663

7. Debt Arrangements

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 August 15, 2018. The line of credit arrangement bears interest at the prime rate plus 0.5 percent but may not be lower than 4 percent (4.25 percent at December 31, 2017), which is due and payable monthly. There were no borrowings pursuant to this line of credit arrangement at December 31, 2017 and 2016.

8. Net Assets

Temporarily restricted net assets of the NIIC are to be used for the following purposes or periods:

	December 31	
	2017	2016
Program or purpose restricted:		
Future periods	\$ 30,000	\$ 30,000
Student venture lab	65,000	70,000
Special events	-	7,750
Annual Fund	-	1,000
	\$ 95,000	\$ 108,750

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

8. Net Assets (continued)

Temporarily restricted net assets of the NIIC released from donor restrictions as a result of incurring expenses or costs to satisfy the restricted purpose, time restrictions expiring or occurrence of the event specified by donors were as follows:

	Year ended December 31	
	2017	2016
Future periods	\$ 30,000	\$ 22,302
Student venture lab	70,000	72,000
Special events	7,750	-
Parking lot energy efficiency	4,500	-
Annual Fund	1,000	-
Entrepreneurship	-	15,000
LEAP fund	-	7,001
GELS project	-	50,000
	\$ 113,250	\$ 166,303

9. Income Taxes

The provision (benefit) for income taxes attributable to unrelated business income is as follows:

	Year ended December 31	
	2017	2016
Continuing operations:		
Federal	\$ (32,800)	\$ (6,956)
State	(8,200)	(1,596)
	(41,000)	(8,552)
Discontinued operations:		
Federal	64,052	-
State	13,000	-
	77,052	-
	\$ 36,052	\$ (8,552)

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

10. 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 \$30,789 in 2017 and \$33,962 in 2016.

11. 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 2018 and 2022. Total rent expense was \$3,598 in 2017 and \$3,479 in 2016.

The NIIC also leases office equipment pursuant to a capital lease which expires in December 2019. Assets recorded pursuant to this agreement included in property and equipment consists of the following:

	December 31	
	2017	2016
Telephone equipment	\$ 45,379	\$ 45,379
Less accumulated amortization	18,908	12,425
	<u>\$ 26,471</u>	<u>\$ 32,954</u>

Amortization expense was \$6,483 in 2017 and \$6,487 in 2016 and is included in depreciation expense for financial reporting purposes.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

11. Leases (continued)

Future minimum lease payments as of December 31, 2017 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
2018	\$ 11,640	\$ 3,732
2019	11,640	3,608
2020	970	3,608
2021	-	3,608
2022	-	3,608
Total minimum lease payments	<u>24,250</u>	<u>\$ 18,164</u>
Less amounts representing interest	<u>3,112</u>	
Capital lease obligation	<u>\$ 21,138</u>	

The NIIC leases office and laboratory facilities to tenants pursuant to operating leases which expire at various dates in 2018 through 2022. Lease revenue was \$646,752 in 2017 and \$820,754 in 2016 and is included in program service fees in the consolidated statements of activities.

Future minimum lease receipts as of December 31, 2017 pursuant to leases that have initial or remaining noncancelable terms in excess of one year are as follows:

2018	\$ 339,631
2019	109,440
2020	39,890
2021	36,180
2022	6,030
	<u>\$ 531,171</u>

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

12. Innovation Center Campus

Building One Funding

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

Date	Grantor	Amount	Use
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—Pursue University Fort Wayne)	1,500,000	Start Up Expenditures (Quality Improvement Fund)
September 2004	State of Indiana (through Indiana University—Pursue University Fort Wayne)	5,000,000	Construction
October 2004	City of Fort Wayne	1,500,000	Construction

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

12. Innovation Center Campus (continued)

Building Two Funding

The construction of Building Two on the NIIC 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 construction. 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.

13. 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, including legal fees of \$11,389 in 2017 and \$15,740 in 2016.

14. Subsequent Events

Management has evaluated subsequent events through March 2, 2018, the date on which the consolidated financial statements were available to be issued.

Supplementary Information

Northeast Indiana Innovation Center. Inc.
Consolidating Statements of Financial Position

	December 31										
	2017					2016					
	Northeast Indiana Innovation Center, Inc.	Innovative Property Management Group, LLC	Innovative Livestock Group, LLC	Elimination	Total Consolidated	Northeast Indiana Innovation Center, Inc.	Innovative Property Management Group, LLC	Innovative Livestock Group, LLC	Innovative Technology Group, LLC	Elimination	Total Consolidated
Assets											
Cash and cash equivalents	\$ 1,595,910	\$ 448,454	\$ 1,742	\$ -	\$ 2,046,106	\$ 1,800,941	\$ 27,898	\$ 4,122	\$ 194,944	\$ -	\$ 2,027,905
Receivables:											
Trade accounts receivable, net	69,556	3,215	-	-	72,771	107,085	-	-	117,477	-	224,562
Accounts receivable from affiliates	678,482	-	-	(678,482)	-	521,764	4,683	-	-	(526,447)	-
Notes receivable	83,917	-	-	-	83,917	26,750	-	-	-	-	26,750
Pledges receivable	64,888	-	-	-	64,888	68,500	-	-	-	-	68,500
	<u>896,843</u>	<u>3,215</u>	<u>-</u>	<u>(678,482)</u>	<u>221,576</u>	<u>724,099</u>	<u>4,683</u>	<u>-</u>	<u>117,477</u>	<u>(526,447)</u>	<u>319,812</u>
Refundable income taxes	-	-	-	-	-	20,982	-	-	-	-	20,982
Inventory	-	-	-	-	-	-	-	-	45,544	-	45,544
Prepaid expenses	16,593	6,400	-	-	22,993	35,960	-	-	752	-	36,712
Investments	225,969	(15,726)	-	15,726	225,969	288,663	221,622	-	-	(221,622)	288,663
Property and equipment:											
Building	13,229,903	81,229	-	-	13,311,132	13,229,903	81,229	-	-	-	13,311,132
Leasehold improvements	245,479	-	-	-	245,479	193,012	-	-	-	-	193,012
Lab equipment	83,237	-	-	-	83,237	83,237	-	-	-	-	83,237
Office equipment	797,804	-	-	-	797,804	757,817	-	-	5,274	-	763,091
Vehicles	8,855	50,940	-	-	59,795	8,855	50,927	-	-	-	59,782
Construction in progress	40,946	-	-	-	40,946	45,856	-	-	-	-	45,856
	<u>14,406,224</u>	<u>132,169</u>	<u>-</u>	<u>-</u>	<u>14,538,393</u>	<u>14,318,680</u>	<u>132,156</u>	<u>-</u>	<u>5,274</u>	<u>-</u>	<u>14,456,110</u>
Less accumulated depreciation	4,718,972	35,931	-	-	4,754,903	4,344,406	27,985	-	1,381	-	4,373,772
	<u>9,687,252</u>	<u>96,238</u>	<u>-</u>	<u>-</u>	<u>9,783,490</u>	<u>9,974,274</u>	<u>104,171</u>	<u>-</u>	<u>3,893</u>	<u>-</u>	<u>10,082,338</u>
Total assets	\$ 12,422,567	\$ 538,581	\$ 1,742	\$ (662,756)	\$ 12,300,134	\$ 12,844,919	\$ 358,374	\$ 4,122	\$ 362,610	\$ (748,069)	\$ 12,821,956
Liabilities, net assets, members' equity and noncontrolling interest											
Accounts payable	\$ 18,345	\$ 5,625	\$ 6,670	\$ -	\$ 30,640	\$ 86,906	\$ 3,325	\$ 2,035	\$ 46,299	\$ -	\$ 138,565
Accounts payable to affiliates	-	678,482	-	(678,482)	-	-	521,764	4,683	-	(526,447)	-
Accrued liabilities	150,180	186	19,682	-	170,048	80,689	6,771	4,000	18,546	-	110,006
Income tax payable	40,010	-	-	-	40,010	-	-	-	-	-	-
Deferred revenue	9,134	-	-	-	9,134	7,875	-	-	273	-	8,148
Deposits	48,510	1,050	-	-	49,560	44,046	1,200	-	-	-	45,246
Capital lease obligation	21,138	-	-	-	21,138	29,356	-	-	-	-	29,356
Total liabilities	<u>287,317</u>	<u>685,343</u>	<u>26,352</u>	<u>(678,482)</u>	<u>320,530</u>	<u>248,872</u>	<u>533,060</u>	<u>10,718</u>	<u>65,118</u>	<u>(526,447)</u>	<u>331,321</u>
Net assets, members' equity and noncontrolling interest:											
Net assets:											
Unrestricted	12,040,250	-	-	(146,762)	11,893,488	12,487,298	-	-	-	(174,687)	12,312,611
Temporarily restricted	95,000	-	-	-	95,000	108,750	-	-	-	-	108,750
Total net assets	<u>12,135,250</u>	<u>-</u>	<u>-</u>	<u>(146,762)</u>	<u>11,988,488</u>	<u>12,596,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,687)</u>	<u>12,421,361</u>
Members' equity	-	(146,762)	(15,726)	162,488	-	-	(174,687)	(3,116)	224,738	(46,935)	-
Noncontrolling interest	-	-	(8,884)	-	(8,884)	-	-	(3,480)	72,754	-	69,274
Total members' equity and noncontrolling interest	<u>-</u>	<u>(146,762)</u>	<u>(24,610)</u>	<u>162,488</u>	<u>(8,884)</u>	<u>-</u>	<u>(174,687)</u>	<u>(6,596)</u>	<u>297,492</u>	<u>(46,935)</u>	<u>69,274</u>
Total net assets, members' equity and noncontrolling interest	<u>12,135,250</u>	<u>(146,762)</u>	<u>(24,610)</u>	<u>15,726</u>	<u>11,979,604</u>	<u>12,596,048</u>	<u>(174,687)</u>	<u>(6,596)</u>	<u>297,492</u>	<u>(221,622)</u>	<u>12,490,635</u>
Total liabilities, net assets and noncontrolling interest	\$ 12,422,567	\$ 538,581	\$ 1,742	\$ (662,756)	\$ 12,300,134	\$ 12,844,920	\$ 358,373	\$ 4,122	\$ 362,610	\$ (748,069)	\$ 12,821,956

See accompanying notes.

Northeast Indiana Innovation Center, Inc.

Consolidating Statements of Activities

	Year ended December 31										
	2017					2016					
	Northeast Indiana Innovation Center, Inc.	Innovative Property Management Group, LLC	Innovative Livestock Group, LLC	Eliminations	Total Consolidated	Northeast Indiana Innovation Center, Inc.	Innovative Property Management Group, LLC	Innovative Technology Group, LLC	Innovative Livestock Group, LLC	Eliminations	Total Consolidated
Changes in unrestricted net assets											
Support, revenues and gains:											
Program service fees	\$ 932,295	\$ 62,603	\$ -	\$ (235,738)	\$ 759,160	\$ 1,099,127	\$ -	\$ -	\$ 1,200	\$ (187,701)	\$ 912,626
Incremental tax financing funds	476,061	-	-	-	476,061	565,046	-	-	-	-	565,046
Grants and contributions	246,388	-	-	-	246,388	300,750	-	-	-	-	300,750
Technology sales and service income, net of cost of sales of \$829,512	-	-	-	-	-	-	61,797	642,714	-	(92,400)	612,111
Equity in net income of subsidiaries	-	-	-	-	-	-	129,918	-	-	(129,918)	-
Investment income	22,779	-	-	-	22,779	4,353	-	-	-	-	4,353
Special events, net	114,073	-	-	-	114,073	112,875	-	-	-	-	112,875
Gifts in-kind	14,288	-	-	-	14,288	696	-	-	-	-	696
Other	1,146	-	-	-	1,146	2,433	-	-	194	-	2,627
	<u>1,807,030</u>	<u>62,603</u>	<u>-</u>	<u>(235,738)</u>	<u>1,633,895</u>	<u>2,085,280</u>	<u>191,715</u>	<u>642,714</u>	<u>1,394</u>	<u>(410,019)</u>	<u>2,511,084</u>
Net assets released from restrictions	113,250	-	-	-	113,250	166,303	-	-	-	-	166,303
Total support, revenues and gains	<u>1,920,280</u>	<u>62,603</u>	<u>-</u>	<u>(235,738)</u>	<u>1,747,145</u>	<u>2,251,583</u>	<u>191,715</u>	<u>642,714</u>	<u>1,394</u>	<u>(410,019)</u>	<u>2,677,387</u>
Expenses and losses:											
Program services	1,810,205	289,788	-	(235,738)	1,864,255	1,861,293	244,966	437,540	22,975	(280,101)	2,286,673
Supporting services:											
Management and general	391,122	-	-	-	391,122	372,631	-	-	-	-	372,631
Fundraising	120,145	-	-	-	120,145	125,454	-	-	-	-	125,454
Total supporting services	<u>511,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,267</u>	<u>498,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>498,085</u>
Loss on investment and other long-lived asset	45,856	-	-	-	45,856	36,184	-	-	-	-	36,184
Total expenses and losses	<u>2,367,328</u>	<u>289,788</u>	<u>-</u>	<u>(235,738)</u>	<u>2,421,378</u>	<u>2,395,562</u>	<u>244,966</u>	<u>437,540</u>	<u>22,975</u>	<u>(280,101)</u>	<u>2,820,942</u>
Increase (decrease) in unrestricted net assets before other changes	(447,048)	(227,185)	-	-	(674,233)	(143,979)	(53,251)	205,174	(21,581)	(129,918)	(143,555)
Other changes in unrestricted net assets:											
Capital contributions	-	-	-	-	-	-	-	-	10,000	(10,000)	-
Dissolution of noncontrolling interest	-	(297,492)	-	224,738	(72,754)	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	(159,700)	-	111,700	(48,000)
Decrease in unrestricted net assets before discontinued operations	(447,048)	(524,677)	-	224,738	(746,987)	(143,979)	(53,251)	45,474	(11,581)	(28,218)	(191,555)
Discontinued operations	-	255,110	(18,014)	12,610	249,706	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	<u>(447,048)</u>	<u>(269,567)</u>	<u>(18,014)</u>	<u>237,348</u>	<u>(497,281)</u>	<u>(143,979)</u>	<u>(53,251)</u>	<u>45,474</u>	<u>(11,581)</u>	<u>(28,218)</u>	<u>(191,555)</u>
Changes in temporarily restricted net assets											
Contributions	99,500	-	-	-	99,500	107,750	-	-	-	-	107,750
Net assets released from restrictions	(113,250)	-	-	-	(113,250)	(166,303)	-	-	-	-	(166,303)
Decrease in temporarily restricted net assets	(13,750)	-	-	-	(13,750)	(58,553)	-	-	-	-	(58,553)
Increase (decrease) in net assets	<u>(460,798)</u>	<u>(269,567)</u>	<u>(18,014)</u>	<u>237,348</u>	<u>(511,031)</u>	<u>(202,532)</u>	<u>(53,251)</u>	<u>45,474</u>	<u>(11,581)</u>	<u>(28,218)</u>	<u>(250,108)</u>
Net assets at beginning of year	12,596,048	122,805	(6,596)	(221,622)	12,490,635	12,798,580	(121,436)	252,018	4,985	(193,404)	12,740,743
Net assets at end of year	<u>\$ 12,135,250</u>	<u>\$ (146,762)</u>	<u>\$ (24,610)</u>	<u>\$ 15,726</u>	<u>\$ 11,979,604</u>	<u>\$ 12,596,048</u>	<u>\$ (174,687)</u>	<u>\$ 297,492</u>	<u>\$ (6,596)</u>	<u>\$ (221,622)</u>	<u>\$ 12,490,635</u>

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Change in Net Assets Before Interest Expense,
Income Taxes, Depreciation and Amortization (Unaudited)

	Year ended December 31	
	2017	2016
	<u>2017</u>	<u>2016</u>
Decrease in net assets	\$ (511,031)	\$ (202,108)
Add back:		
Interest expense	3,058	6,866
Income tax expense (benefit)	36,052	(8,552)
Depreciation and amortization	393,513	384,037
Noncash loss on investment and other long-lived asset	45,856	36,184
Noncash dissolution of non-controlling interest	72,754	-
Increase in net assets before interest expense, income taxes, depreciation and amortization	\$ 40,202	\$ 216,427

The change in net assets before interest expense, income taxes, depreciation and amortization is a non-GAAP financial measure used by management to evaluate performance and profitability.

See accompanying notes.