

Consolidated Financial Statements
and Supplementary Information

NORTHEAST INDIANA INNOVATION CENTER, INC. AND AFFILIATES

*Years ended December 31, 2020 and 2019
with Independent Auditor's Report*

Northeast Indiana Innovation Center, Inc. and Affiliates

Consolidated Financial Statements
and Supplementary Information

Years ended December 31, 2020 and 2019

Contents

| | |
|--|----|
| Independent Auditor's Report | 1 |
| Consolidated Financial Statements | |
| Consolidated Statements of Financial Position | 3 |
| Consolidated Statements of Activities | 4 |
| Consolidated Statements of Functional Expenses | 5 |
| Consolidated Statements of Cash Flows..... | 7 |
| Notes to Consolidated Financial Statements | 8 |
| Supplementary Information | |
| Consolidated Statements of Change in Net Assets Before Interest Expense, Income Taxes, Depreciation and Amortization (Unaudited)..... | 20 |



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 statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits. We conducted our audits 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, 2020 and 2019, 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.

Other Matter—Unaudited Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated statements of changes in net assets before interest expense, income taxes, depreciation and amortization for the years ended December 31, 2020 and 2019 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Haines, Asenbarger & Skiba, LLC

Fort Wayne, Indiana
May 25, 2021

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Financial Position

| | December 31, | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| Assets | | |
| Cash and cash equivalents | \$ 1,160,244 | \$ 968,467 |
| Receivables: | | |
| Trade accounts receivable, less | | |
| allowances of \$7,500 in 2020 and \$35,750 in 2019 | 69,725 | 16,124 |
| Notes receivable | 49,082 | 83,537 |
| Grants and contributions receivable | 312,728 | 405,567 |
| | <u>431,535</u> | <u>505,228</u> |
| Prepaid expenses | 26,130 | 43,940 |
| Investments | 255,969 | 255,969 |
| Property and equipment: | | |
| Building | 13,325,557 | 13,325,557 |
| Leasehold improvements | 268,488 | 268,488 |
| Office equipment | 1,163,455 | 1,163,455 |
| Vehicles | 59,795 | 59,795 |
| | <u>14,817,295</u> | <u>14,817,295</u> |
| Less accumulated depreciation | 6,070,898 | 5,595,017 |
| | <u>8,746,397</u> | <u>9,222,278</u> |
| Total assets | <u>\$ 10,620,275</u> | <u>\$ 10,995,882</u> |
| Liabilities and net assets | | |
| Liabilities: | | |
| Line of credit borrowings | \$ 200,000 | \$ - |
| Refundable advance | 120,200 | - |
| Accounts payable | 60,392 | 51,256 |
| Accrued liabilities | 85,937 | 53,053 |
| Deferred revenue | 36,514 | 21,073 |
| Deposits | 54,598 | 51,962 |
| Capital lease obligation | 60,523 | 95,076 |
| Long-term debt | 150,000 | - |
| Total liabilities | <u>768,164</u> | <u>272,420</u> |
| Net assets: | | |
| Without donor restrictions | 9,499,219 | 10,248,562 |
| With donor restrictions | 352,892 | 474,900 |
| Total net assets | <u>9,852,111</u> | <u>10,723,462</u> |
| Total liabilities and net assets | <u>\$ 10,620,275</u> | <u>\$ 10,995,882</u> |

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Activities

| | Year ended December 31 | |
|---|-------------------------------|----------------------|
| | 2020 | 2019 |
| Changes in net assets without donor restrictions | | |
| Support, revenues and gains: | | |
| Program service fees | \$ 610,427 | \$ 678,092 |
| Tax Increment Financing funding | 100,000 | - |
| Grants and contributions | 815,928 | 463,247 |
| Investment income | 3,207 | 5,205 |
| Special events revenue | 57,900 | 70,550 |
| less special event expense | (14,175) | (11,131) |
| Special events, net | 43,725 | 59,419 |
| Gifts in-kind | - | 17,330 |
| Other | 42,512 | 12,566 |
| | 1,615,799 | 1,235,859 |
| Net assets released from restrictions | 229,641 | 238,565 |
| Total support, revenues and gains | 1,845,440 | 1,474,424 |
| Expenses: | | |
| Program services | 2,062,603 | 1,822,326 |
| Supporting services: | | |
| Management and general | 397,903 | 505,436 |
| Fundraising | 134,277 | 116,471 |
| Total supporting services | 532,180 | 621,907 |
| Total expenses | 2,594,783 | 2,444,233 |
| Decrease in net assets without donor restrictions | (749,343) | (969,809) |
| Changes in net assets with donor restrictions | | |
| Contributions | 107,633 | 549,900 |
| Net assets released from restrictions | (229,641) | (238,565) |
| Increase (decrease) in net assets with donor restrictions | (122,008) | 311,335 |
| Decrease in net assets | (871,351) | (658,474) |
| Net assets at beginning of year | 10,723,462 | 11,381,936 |
| Net assets at end of year | \$ 9,852,111 | \$ 10,723,462 |

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 Statement of Functional Expenses

Year Ended December 31, 2019

| | <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 | \$ 409,441 | \$ 147,143 | \$ 83,167 | \$ 230,310 | \$ 639,751 |
| Employee benefits | 51,588 | 18,540 | 10,479 | 29,019 | 80,607 |
| Payroll taxes | 28,205 | 10,136 | 5,730 | 15,866 | 44,071 |
| Total salaries and related expenses | <u>489,234</u> | <u>175,819</u> | <u>99,376</u> | <u>275,195</u> | <u>764,429</u> |
| Other expenses | | | | | |
| Bad debts | - | 35,750 | - | 35,750 | 35,750 |
| Consulting services | 25,747 | 56,112 | - | 56,112 | 81,859 |
| Contract services | 65,156 | - | - | - | 65,156 |
| Dues and subscriptions | 32,365 | 3,596 | - | 3,596 | 35,961 |
| Conferences and trainings | 60,291 | 29,466 | 11,436 | 40,902 | 101,193 |
| Insurance | 27,909 | 3,101 | - | 3,101 | 31,010 |
| Interest | 552 | 62 | - | 62 | 614 |
| IT management and data services | 28,010 | 3,112 | - | 3,112 | 31,122 |
| Legal and accounting | - | 88,013 | - | 88,013 | 88,013 |
| Marketing | 142,714 | 8,394 | 16,790 | 25,184 | 167,898 |
| Meetings | 10,687 | 1,187 | - | 1,187 | 11,874 |
| Miscellaneous | (3,108) | (345) | - | (345) | (3,453) |
| Occupancy | 285,338 | 31,704 | - | 31,704 | 317,042 |
| Office, facility and equipment supplies | 31,359 | 3,484 | - | 3,484 | 34,843 |
| Printing and postage | 24,510 | 2,723 | - | 2,723 | 27,233 |
| Program expenses | 32,247 | - | - | - | 32,247 |
| Repairs and maintenance | 98,211 | 10,913 | - | 10,913 | 109,124 |
| Small office equipment | 39,452 | 4,383 | - | 4,383 | 43,835 |
| Travel and entertainment | 31,418 | 3,491 | - | 3,491 | 34,909 |
| Total expenses before depreciation | <u>1,422,092</u> | <u>460,965</u> | <u>127,602</u> | <u>588,567</u> | <u>2,010,659</u> |
| Depreciation | 400,234 | 44,471 | - | 44,471 | 444,705 |
| Total expenses allocated functionally | <u>1,822,326</u> | <u>505,436</u> | <u>127,602</u> | <u>633,038</u> | <u>2,455,364</u> |
| Less special events expenses | - | - | (11,131) | (11,131) | (11,131) |
| Total expenses included in the statement of activities | <u>\$ 1,822,326</u> | <u>\$ 505,436</u> | <u>\$ 116,471</u> | <u>\$ 621,907</u> | <u>\$ 2,444,233</u> |

See accompanying notes.

Northeast Indiana Innovation Center. Inc.

Consolidated Statements of Cash Flows

| | Year ended December 31 | |
|---|-------------------------------|-------------------|
| | 2020 | 2019 |
| Operating activities | | |
| Decrease in net assets | \$ (871,351) | \$ (658,474) |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: | | |
| Depreciation | 475,881 | 444,705 |
| Non-cash contributions of fixed assets | - | (7,600) |
| Provision for bad debts | 7,500 | 20,750 |
| Change in operating assets and liabilities: | | |
| Trade accounts receivable | (61,101) | (19,999) |
| Notes receivable | 34,455 | 9,000 |
| Grants and contributions receivable | 92,839 | (245,187) |
| Prepaid expenses | 17,810 | 176 |
| Refundable advance | 120,200 | - |
| Accounts payable | 9,136 | 11,819 |
| Accrued liabilities | 32,884 | (7,713) |
| Deferred revenue | 15,441 | 20,578 |
| Deposits | 2,636 | (2,540) |
| Net cash used in operating activities | <u>(123,670)</u> | <u>(434,485)</u> |
| Investing activity —purchase of property and equipment | - | (95,238) |
| 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 | (34,553) | (22,650) |
| Net cash provided by (used in) financing activities | <u>315,447</u> | <u>(22,650)</u> |
| Increase (decrease) in cash and cash equivalents | 191,777 | (552,373) |
| Cash and cash equivalents at beginning of year | 968,467 | 1,520,840 |
| Cash and cash equivalents at end of year | <u>\$ 1,160,244</u> | <u>\$ 968,467</u> |
| Supplemental disclosure | | |
| Interest paid | \$ 3,401 | \$ 614 |
| Non-cash capital lease obligation for property and equipment | \$ - | \$ 106,536 |

See accompanying notes.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements

December 31, 2020

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 \$7,500 and \$35,750 at December 31, 2020 and 2019, 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, 2020 and 2019 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, 2020 and 2019.

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 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

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Assets (continued)

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.

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. During 2019 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 \$9,730. Additionally, \$7,600 of services were contributed in 2019 which were capitalized in office equipment. No contributed goods or services were received in 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.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

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 \$313,000 and \$1,161,000 at December 31, 2020 and 2019, respectively. 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.

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

Advertising and Marketing

Advertising and marketing costs are expensed when incurred. Advertising and marketing costs were \$282,638 in 2020 and \$167,898 in 2019. 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 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.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Income Taxes (continued)

Management believes all of the entities comprising the NIIC are no longer subject to examination by taxing authorities for years before December 31, 2017. 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.

Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 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 extent of the 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.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

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.

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 | |
|---|---------------------|-------------|
| | 2020 | 2019 |
| Cash and cash equivalents | \$ 1,160,244 | \$ 968,467 |
| Trade accounts receivable | 69,725 | 16,124 |
| Notes receivable, current portion | 12,000 | 12,000 |
| Grants and contributions receivable | 312,728 | 405,567 |
| | 1,554,697 | 1,402,158 |
| Less net assets with donor-imposed restrictions for specific purposes or future time periods | (352,892) | (474,900) |
| | \$ 1,201,805 | \$ 927,258 |

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. To help manage unanticipated liquidity needs, the NIIC has a committed line of credit from a bank in the amount of \$500,000 upon which it could draw. As of December 31, 2020, there was \$300,000 available on the line of credit.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

3. Liquidity and Availability (continued)

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

4. Notes Receivable

Notes receivable consists of the following:

| | December 31 | |
|--|--------------------|------------------|
| | 2020 | 2019 |
| Note receivable from client, 12%, payable on February 28, 2023, unsecured | \$ 25,787 | \$ 37,787 |
| 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 | - |
| Note receivable from client, 3%, payable on December 16, 2021, unsecured | 500 | - |
| Note receivable from client, 12%, payable on February 28, 2019, unsecured | - | 25,000 |
| Accrued interest | 2,795 | 10,750 |
| | \$ 49,082 | \$ 83,537 |

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, 2020 were due within one year. Grants and contributions receivable at December 31, 2019 include \$355,567 of pledges due within one year and \$50,000 of pledges due in one to five years.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

6. Investments

Investments consist of the following:

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2020 | 2019 |
| 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 |

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 1, 2051. 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, 2020 are as follows:

| | |
|------------|-------------------|
| 2021 | \$ - |
| 2022 | 1,737 |
| 2023 | 3,546 |
| 2024 | 3,645 |
| 2025 | 3,746 |
| Thereafter | 137,326 |
| | \$ 150,000 |

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 October 15, 2021. 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, 2020), which is due and payable monthly. Borrowings pursuant to this line of credit arrangement were \$200,000 at December 31, 2020. There were no borrowings pursuant to the line of credit arrangement at December 31, 2019.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

8. Net Assets With Donor Restrictions

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

| | December 31 | |
|---|--------------------|-------------------|
| | 2020 | 2019 |
| Subject to expenditure for specified purpose: | | |
| Breakthrough | \$ 195,259 | \$ 279,900 |
| Connected Health Lab | 50,000 | 100,000 |
| Student/women entrepreneurship programs | 55,000 | 55,000 |
| Server upgrade | 12,633 | - |
| | 312,892 | 434,900 |
| Subject to the passage of time | 40,000 | 40,000 |
| | \$ 352,892 | \$ 474,900 |

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 | |
|---|-------------------------------|-------------------|
| | 2020 | 2019 |
| Expiration of time restrictions | \$ 40,000 | \$ 35,000 |
| Satisfaction of purpose restrictions: | | |
| Connected Health Lab | 50,000 | 50,000 |
| Breakthrough | 84,641 | 37,000 |
| Student/women entrepreneurship programs | 55,000 | 55,000 |
| Organizational effectiveness | - | 11,565 |
| Capital improvements | - | 25,000 |
| Business development in rural areas | - | 25,000 |
| | 189,641 | 203,565 |
| | \$ 229,641 | \$ 238,565 |

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

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 \$35,216 in 2020 and \$20,366 in 2019.

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 2021 and 2022. Total rent expense was \$6,137 in 2020 and 2019.

The NIIC leased a telephone system pursuant to a capital lease which expired in December 2019. 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 | |
|-------------------------------|-------------------------|--------------------------|
| | 2020 | 2019 |
| Office equipment | \$ 142,413 | \$ 187,792 |
| Less accumulated amortization | 67,251 | 51,653 |
| | <u>\$ 75,162</u> | <u>\$ 136,139</u> |

Amortization expense was \$47,471 and \$26,262 in 2020 and 2019, respectively, and is included in depreciation expense for financial reporting purposes.

Northeast Indiana Innovation Center, Inc.

Notes to Consolidated Financial Statements (continued)

10. Leases (continued)

Future minimum lease payments as of December 31, 2020 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 |
|------------------------------------|---------------------------|-----------------------------|
| 2021 | \$ 39,428 | \$ 6,137 |
| 2022 | 22,741 | 3,608 |
| Total minimum lease payments | <u>62,444</u> | <u>\$ 9,745</u> |
| Less amounts representing interest | 1,921 | |
| Capital lease obligation | <u>\$ 60,523</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 \$588,816 in 2020 and \$621,876 in 2019 and is included in program service fees in the consolidated statements of activities.

Future minimum lease receipts as of December 31, 2020 pursuant to leases that have initial or remaining noncancelable terms in excess of one year are as follows:

| | |
|------|-------------------|
| 2021 | \$ 457,317 |
| 2022 | 250,487 |
| 2023 | 161,310 |
| 2024 | 20,008 |
| | <u>\$ 889,122</u> |

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 May 25, 2021, the date on which the consolidated financial statements were available to be issued

Supplementary Information

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 | |
|--|------------------------|---------------------|
| | 2020 | 2019 |
| Decrease in net assets | \$ (871,351) | \$ (658,474) |
| Add back: | | |
| Interest expense | 3,401 | 614 |
| Depreciation and amortization | 475,881 | 444,705 |
| Decrease in net assets before interest expense, income taxes, depreciation and amortization | \$ (392,069) | \$ (213,155) |

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.