

## MANAGEMENT LETTER

September 29, 2023

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

In planning and performing our audit of the consolidated financial statements of Northeast Indiana Innovation Center, Inc. and Affiliates (the Organization) for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed in the following pages, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Professional standards define a material weakness and a significant deficiency as follows:

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our comments concerning internal control and other significant matters are presented as follows:

- Current Year Material Weakness
- Current Year Significant Deficiency
- Current Year Other Matters
- Board Matters

Board of Directors  
Northeast Indiana Innovation Center, Inc. and Affiliates  
September 29, 2023  
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This communication is intended solely for the information and use of management, the board of directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to Jerald Greentree for the cooperation and assistance received during the audit engagement and for the opportunity to serve Northeast Indiana Innovation Center, Inc. and Affiliates.

Sincerely yours,

A handwritten signature in cursive script that reads "Capin Crouse LLP". The signature is written in black ink and is positioned above the typed name of the firm.

CAPIN CROUSE LLP

## **CURRENT YEAR MATERIAL WEAKNESS**

### **Internal Controls**

We noted the following areas where internal controls could be enhanced:

- We noted a lack of dual controls over the receipt processing of contributions and grant payments. We recommend two individuals to be involved in the processing.
- We noted one individual is able to execute online payments to any vendor without any prior approval or subsequent review. All disbursements should be reviewed and approved by the appropriate level of management.
- Payroll registers and payroll change reports are not currently reviewed by the appropriate level of management. This secondary review is an important control to ensure payroll payments are proper.
- Bank reconciliations should be reviewed for accuracy by someone other than the preparer. Also, bank statements should be reviewed, as a best practice and additional control, by the individual reviewing the bank reconciliation. These controls could prevent errors and fraud from going undetected.
- Credit card activity at the executive level and above should be reviewed and approved by a member of the Board. Also, support for credit card transactions should be retained.
- A month end closing checklist should be implemented so that the books are closed accurately and timely. Several significant client and auditor prepared journal entries were recorded to the trial balance after it was provided by the Organization for the audit.
- All journal entries should be reviewed by an appropriate level of management. No one individual should create and approve their own journal entries.
- Grant agreements should be reviewed upon inception to identify necessary information to be included in the Schedule of Expenditures of Federal Awards. Additionally, throughout the grant period, the Organization should track all grant expenditures, both payroll and non-payroll, in the general ledger to accurately complete the Schedule of Expenditures of Federal Awards (the schedule) on a fiscal year-end basis. The schedule should also be reviewed by someone other than the individual preparing the Schedule.
- During our testing, we noted the ending balance for accounts receivable, deferred income, and revenue did not match the supporting documentation. Grant agreements should be reviewed by management to determine the proper accounting. A program should not have a receivable and deferred balance.

**We recommend** the Organization consider implementing these items to enhance internal controls. **We also recommend** the Organization develop a system to better track and to appropriately recognize grant revenue.

## **CURRENT YEAR SIGNIFICANT DEFICIENCY**

### **Uniform Guidance Cost Principles**

During the testing of the Community Navigator Pilot Program, we noted the Organization charged and was reimbursed for grant expenses that were not paid. Additionally, we noted there was not always a clear audit trail from source document to expenditures charged to the federal grant.

**We recommend** that the Organization track grant funds through a general ledger project designation to provide an audit trail from source document to grant revenue and allowable grant expenditures. **We also recommend** that the program beneficiaries be paid or the funds reimbursed be returned to the Small Business Administration.

## **CURRENT OTHER YEAR MATTERS**

### **Information Technology and Cybersecurity**

The audit process included specific procedures performed by members from our IT team to assess the Organization's internal controls over information technology and systems, including cybersecurity. With increased reliance on information systems for all aspects of operations, as well as pervasive concerns about cybersecurity, all organizations are facing an increasing business risk in this area that is significant. Risks include loss of sensitive and confidential data, loss of assets, damage to reputation, and many others. How risks are managed can be the difference between a minor inconvenience and a major public relations event. **We recommend** management review and evaluate the industry best practices and consider implementing the recommended policies and procedures summarized below:

- Draft and implement a comprehensive risk assessment plan for information systems
- Formalize procedures for vendor due diligence and ongoing monitoring of vendor relationships
- Implement annual vulnerability scanning of all internal and external IP addresses to identify vulnerabilities
- Enable password expiration (max 180 days) and a history of at least three passwords for all systems used
- Enable multi-factor authentication where available
- Enhance data backup retention periods

### **Risk Management**

Proper policies and procedures are important to the health of any organization. During our audit, we noted that the Organization was either lacking, or had outdated policies over a number of important areas.

**We recommend** the Organization adopt the following policies:

- Whistleblower protection policy
- Intellectual property policy
- Disaster recovery policy
- Vendor approval policy
- Record retention policy
- Gift acceptance policy
- Investment policy

In order to assist management, we have provided some working examples of these policies to assist in this process.

## **BOARD MATTERS**

The following information about our audit, as required by professional standards, is considered to be significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

### **Auditors' Responsibility under U.S. Generally Accepted Auditing Standards**

As independent auditors of the consolidated financial statements, we are responsible for:

- Performing the audit in accordance with U.S. generally accepted auditing standards.
- Designing the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.
- Forming and expressing an opinion about whether the consolidated financial statements, that have been prepared by management with the oversight of those charged with governance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

An audit of consolidated financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting.

Our audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is the risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

### **Independence**

Under professional standards, including Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings, we are required to communicate all relationships between CapinCrouse LLP and the board that, in our professional judgment, may reasonably be thought to bear on independence.

We are not aware of any relationships or services that would jeopardize this condition. We affirm our objectivity and independence in performing our audit services in conformity with professional standards.

### **Qualitative Aspects of Accounting Practices**

*Accounting policies*—Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have evaluated the appropriateness of accounting policies and their application. The significant accounting policies used are described in Note 2 to the consolidated financial statements.

*Changes in accounting policies*—The Organization adopted the following accounting standards during the year ended December 31, 2022: Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*, ASU No. 2018-11, *Leases (Topic 842) Targeted Improvements*, and ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. These changes in accounting policy were not material to the consolidated financial statements.

The impact of the adoption was not material to the consolidated financial statements, therefore, no disclosures were considered necessary.



## **BOARD MATTERS, continued**

### **Qualitative Aspects of Accounting Practices, continued**

*Significant and unusual transactions*—Under professional standards, we are required to inform you about transactions we noted that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. We noted no such transactions entered into by the organization during the year. All significant transactions have been recognized in the consolidated financial statements in the proper period.

*Uncorrected misstatements*—There was one uncorrected misstatement identified during the audit.

- An uncorrected misstatement related to the discounted value of donated land lease receivable. This is an uncorrected prior period adjustment in the amount of approximately \$141,000. The uncorrected misstatement understates January 1, 2022, restricted net assets by \$141,000.

*Material corrected misstatements*—There were two material corrected misstatements identified during the audit.

- A journal entry was made to recognize the portion of deferred Community Navigator funds that had been spent in 2022. Revenue is recognized when the expense is incurred. This entry increases the change in net assets by \$91,809.
- A journal entry was made to write off uncollectible receivables and to remove the REAP grant that was already recognized as income and a receivable in the prior year. This entry reduces the change in net assets by \$108,222.
- A journal entry was made to record the discounted value of donated land lease receivable. This entry increases the change in net assets by \$138,930.

*Other corrected misstatements*—There were three other corrected misstatement identified during the audit.

- A journal entry was made to remove accrued payroll as the 2022 policy did not allow for any PTO carry over. This entry increases the change in net assets by \$36,023.
- A journal entry was made to make beginning total net assets agree to the audited prior year ending net asset balance. This entry reduced the change in net assets by \$43,399.
- A journal entry was made to defer rent payments received for fiscal year 2023. This entry reduces the change in net assets by \$29,358.

*Accounting estimates*—Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most significant estimates include:

- Depreciation of property and equipment and leased equipment based upon estimated useful lives of assets using the straight-line method
- Functional allocation of expenses based on estimated utilization of assets and personnel
- Valuation of land lease receivable and related discount rate used in the calculation
- Allowance for uncollectible accounts receivable based on age, past experience, and relevant current period factors
- Carrying amount of investments accounted for under the cost method

We reviewed the process and basis for management's judgments and estimates impacting key accounting and financial reporting areas and concluded they are reasonable in relation to the consolidated financial statements taken as a whole.

**BOARD MATTERS, continued**

**Qualitative Aspects of Accounting Practices, continued**

*Consolidated financial statements disclosures and related matters*—We considered issues involved and related judgments made, in formulating sensitive consolidated financial statements disclosures and believe they are presented with overall neutrality, consistency, and clarity.

*Representations requested from management*—A copy of the letter containing representations requested from management is attached.

**Significant Difficulties Encountered During the Audit**

We are pleased to report that there were no significant difficulties in dealing with management in performing and completing our audit.

**Disagreements with Management**

Professional standards define disagreements with management, whether or not resolved to our satisfaction, as a matter concerning financial accounting, reporting, or auditing that could be significant to the consolidated financial statements or the independent auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the consolidated financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

**Significant Issues Discussed with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the independent auditors. However, any discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

September 29, 2023

Capin Crouse LLP

Indianapolis, Indiana

This representation letter is provided in connection with your audit of the consolidated financial statements of Northeast Indiana Innovation Center, Inc. and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements, for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

#### **Consolidated Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 3, 2023, including our responsibility for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP.
- 2) The consolidated financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) There are no known related-party relationships or transactions which need to be accounted for or disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the consolidated financial statements that would require adjustment to or disclosure in the consolidated financial statements or in the schedule of expenditures of federal awards.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. There was one uncorrected misstatement identified during the audit. The uncorrected misstatement related to the discounted value of donated land lease receivable. This is an uncorrected prior period adjustments in the amount of approximately \$141,000. The uncorrected misstatement understates January 1, 2022, restricted net assets by \$141,000. In addition, you have proposed adjusting journal entries that have been posted to the Organization's accounts. We are in agreement with the adjustments described below:
  - A journal entry was made to recognize the portion of deferred Community Navigator funds that had been spent in 2022. Revenue should be recognized when the expense is incurred. This entry increases the change in net assets by \$91,809.



- A journal entry was made to write off uncollectible receivables and to remove REAP grant that was already recognized as income and a receivable in the prior year. This entry reduces the change in net assets by \$108,222.
  - A journal entry was made to remove accrued payroll as the 2022 policy did not allow for any PTO carry over. This entry increases the change in net assets by \$36,023.
  - A journal entry was made to make beginning total net assets agree to the audited prior year ending net asset balance. This entry reduced the change in net assets by \$43,399.
  - A journal entry was made to defer rent payments received for fiscal year 2023. This entry reduces the change in net assets by \$29,358.
  - A journal entry was made to record the discounted value of donated land lease receivable. This entry increases the change in net assets by \$138,930.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) We have implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*, ASU No. 2018-11, *Leases (Topic 842) Targeted Improvements*, and ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* during the audit period. We have implemented these new accounting standards in accordance with the transition guidance prescribed in the ASUs. The impact of the adoption of these standards were not material to the consolidated financial statements, therefore, no disclosures were considered necessary.
- 13) In regard to the nonattest services performed by you, we have—
- Assumed all management responsibilities.
  - Designated Jerald Greentree, who has suitable skill, knowledge, or experience to oversee the services.
  - Evaluated the adequacy and results of the services performed.
  - Accepted responsibility for the results of the services.

The nonattest services include the following:

- Preparation of the consolidated financial statements and related notes
- Assistance with the preparation of the schedule of expenditures of federal awards

#### **Information Provided**


- 14) We have provided you with:
- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
  - Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 15) All material transactions have been recorded in the accounting records and are reflected in the consolidated financial statements or the schedule of expenditures of federal awards.
- 16) We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.

- 17) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the consolidated financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's consolidated financial statements communicated by employees, former employees, grantors, regulators, or others.
- 19) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse whose effects should be considered when preparing consolidated financial statements.
- 20) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the consolidated financial statements.
- 21) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 23) Northeast Indiana Innovation Center, Inc. and Affiliates is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 24) Management has evaluated the Organization's investment holdings and has determined that there are no impaired investments.
- 25) With respect to federal award programs:
  - a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), relating to preparation of the schedule of expenditures of federal awards.
  - b. We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
  - c. If the SEFA is not presented with the audited consolidated financial statements, we will make the audited consolidated financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
  - d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
  - e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the consolidated financial statements have been prepared.
- s. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- w. We have charged costs to federal awards in accordance with applicable cost principles.
- x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all

information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

- y. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
  - z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
  - aa. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- 26) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 27) We have disclosed and provided to you all documents containing the audited consolidated financial statements that we have issued or expect to issue. The audited consolidated financial statements and the other information obtained by the auditor prior to the auditor's report date are consistent with one another, and the other information does not contain any material misstatements.
- 28) Our entity was the recipient of a Paycheck Protection Program loan. As of the reporting date, we certify that we have received a forgiveness notification from the U.S. Small Business Administration or lender notifying us of the amount forgiven.
- 29) We have developed processes and controls to identify and evaluate whether conditions or events exist that raise substantial doubt about the organization's ability to continue as a going concern. We have performed this assessment and there are no material uncertainties that may cast significant doubt about the organization's ability to continue as a going concern through one year after the consolidated financial statement issuance date.

Signature:   
Title: Chief Executive Officer

Signature: Gerald E Greentree  
Title: Chief Financial Officer

NORTHEAST INDIANA  
INNOVATION CENTER, INC.  
AND AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2022



**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

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## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

We have audited the accompanying consolidated financial statements of Northeast Indiana Innovation Center, Inc. and Affiliates, which comprise of the consolidated statement of financial position as of December 31, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northeast Indiana Innovation Center, Inc. and Affiliates, as of December 31, 2022, 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.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. 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 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, and for 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.

In preparing the consolidated 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 Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated 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 consolidated 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 consolidated 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 Affiliate's 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 consolidated 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 Affiliate's 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.

*Capin Crouse LLP*

Indianapolis, Indiana  
September 29, 2023

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

**Consolidated Statement of Financial Position**

December 31, 2022

**ASSETS:**

Cash and cash equivalents		\$ 859,087
Accounts receivable–net		57,025
Grants receivable		303,704
Prepaid expenses		13,890
Investments		259,922
Property and equipment–net		<u>7,995,616</u>

Total Assets		<u><u>\$ 9,489,244</u></u>
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**LIABILITIES AND NET ASSETS:**

Liabilities:

Accounts payable		\$ 26,057
Accrued expenses		44,972
Deferred revenue		92,015
Notes payable		500,000
Total liabilities		<u>663,044</u>

Net assets:

Without donor restrictions		8,627,697
With donor restrictions		198,503
Total net assets		<u>8,826,200</u>

Total Liabilities and Net Assets		<u><u>\$ 9,489,244</u></u>
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See notes to consolidated financial statements

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

**Consolidated Statement of Activities**

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT:</b>			
Contributions	\$ 74,198	\$ 138,930	\$ 213,128
Program revenue	799,735	-	799,735
Grant revenue	1,188,420	-	1,188,420
Other income	67,266	-	67,266
<b>Total Support and Revenue</b>	<b>2,129,619</b>	<b>138,930</b>	<b>2,268,549</b>
<b>RECLASSIFICATIONS:</b>			
Net assets released by satisfaction of purpose restrictions	77,014	(77,014)	-
<b>EXPENSES:</b>			
Program services	2,027,546	-	2,027,546
Supporting activities:			
Management and general	381,904	-	381,904
Fundraising	109,302	-	109,302
	491,206	-	491,206
<b>Total Expenses</b>	<b>2,518,752</b>	<b>-</b>	<b>2,518,752</b>
<b>Change in Net Assets</b>	<b>(312,119)</b>	<b>61,916</b>	<b>(250,203)</b>
<b>Net Assets, Beginning of Year</b>	<b>8,939,816</b>	<b>136,587</b>	<b>9,076,403</b>
<b>Net Assets, End of Year</b>	<b>\$ 8,627,697</b>	<b>\$ 198,503</b>	<b>\$ 8,826,200</b>

See notes to consolidated financial statements



**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

**Consolidated Statement of Functional Expenditures**

Year Ended December 31, 2022

	Program Activities	Management and General	Fundraising	Total
Salaries and benefits	\$ 538,102	\$ 157,357	\$ 109,302	\$ 804,761
Occupancy	492,431	54,715	-	547,146
Consulting and professional fees	423,720	100,817	-	524,537
Depreciation	445,973	49,553	-	495,526
Travel and conferences	48,692	14,738	-	63,430
Grant expense	36,110	-	-	36,110
Supplies	30,808	3,423	-	34,231
Miscellaneous	11,710	1,301	-	13,011
	<u>\$ 2,027,546</u>	<u>\$ 381,904</u>	<u>\$ 109,302</u>	<u>\$ 2,518,752</u>

See notes to consolidated financial statements

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

**Consolidated Statement of Cash Flows**

Year Ended December 31, 2022

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (250,203)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	495,526
Gain on extinguishment of debt (PPP loan)	(120,200)
Gain on sale of property and equipment	(50,422)
Donated land lease	(138,930)
Changes in:	
Accounts receivable—net	88,039
Prepaid expenses	10,003
Grants receivable	(31,232)
Accounts payable	(29,473)
Accrued expenses	(103,457)
Deferred revenue	29,012
Net Cash Used by Operating Activities	<u>(101,337)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from sale of property and equipment	106,484
Purchases of property and equipment	(43,802)
Purchase of investments	(3,953)
Net Cash Provided by Investing Activities	<u>58,729</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from notes payable	350,000
Principal payments on notes payable	(351,173)
Principal payments on financing lease obligation	(24,542)
Net Cash Used by Financing Activities	<u>(25,715)</u>
 Change in Cash and Cash Equivalents	 (68,323)
 Cash and Cash Equivalents, Beginning of Year	 <u>927,410</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 859,087</u>
 <b>SUPPLEMENTAL DISCLOSURE:</b>	
Interest paid	<u>\$ 16,391</u>
Gain on extinguishment of debt (PPP loan)	<u>\$ 120,200</u>

See notes to consolidated financial statements

# NORTHEAST INDIANA INNOVATION CENTER, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2022

### 1. NATURE OF ORGANIZATION:

Northeast Indiana Innovation Center, Inc. (NIIC) is a non-profit, community based entrepreneurial resource center that assists in the growth and development of innovative companies in northeast Indiana. NIIC is a 2020 International Business Innovation Association (InBIA) Entrepreneur Center of the year award recipient. NIIC 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. NIIC is the country's only ISO9001: 2015 registered business incubation and acceleration program.

NIIC's mission is to be fuel for ideas, people and companies. NIIC's vision is to grow and inspire global business builders. NIIC's primary source of income is from grants and office space rental fees.

Innovative Property Management Group, LLC (IPMG) is a for profit limited liability company established in 2010 that is wholly-owned by 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 the community. IPMG provides NIIC and its clients property management services efficiently, effectively and economically.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader. The preparation of 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 of assets and liabilities; disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of NIIC and its wholly owned affiliate, IPMG. All significant interorganizational accounts and transactions have been eliminated.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and saving accounts. These accounts, at times, may exceed federally insured limits. As of December 31, 2022, approximately \$273,000 was not covered by FDIC insurance.

# NORTHEAST INDIANA INNOVATION CENTER, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENTS

Investments consist of equity investments in various companies. If the carrying value exceeds the fair value of an investment, the impairment is recognized and the investment is marked down to fair market value. NIIC does not have substantial influence over any investee (generally considered to be an investment of 20 percent or less); therefore, the companies NIIC has invested in are not consolidated in these consolidated financial statements.

#### ACCOUNTS RECEIVABLE, NET

Accounts receivable are stated at net realizable value. On a periodic basis 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. 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 at December 31, 2022.

#### PROPERTY, EQUIPMENT, AND DEPRECIATION

Purchases of property and equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of the gift. Donations of property and equipment without donor-imposed restrictions are recorded as net assets without donor restrictions in the year of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from three to thirty-nine years. Asset purchases under \$5,000 and expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ending December 31, 2022, was \$495,526.

#### NET ASSETS

The consolidated financial statements report amounts by classification of net assets:

- *Net assets without donor restrictions* are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.
- *Net assets with donor restrictions* are those funds with donor stipulations for a specific time period or operating purposes or programs, including those not currently available for use until commitments regarding their use have been fulfilled.

#### PROGRAM SERVICE FEES, SPECIAL EVENT REVENUE, AND DEFERRED REVENUE

Program service fees relate to rental income and 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.

# NORTHEAST INDIANA INNOVATION CENTER, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONTRIBUTIONS AND GRANTS

NIIC reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. Contributions are considered to be without donor restrictions unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

NIIC is the recipient of federal and state grants that require expenditure for specified activities before NIIC is reimbursed by the grantor for the costs incurred. Documentation showing actual costs expended is included when submitting a monthly or quarterly report for reimbursement. Grants receivable consists of costs incurred but not reimbursed by the grantor as of year end. NIIC considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

Donated materials and services are recorded as contributions at their estimated value on the date of receipt. NIIC pays for most services requiring specific expertise. Volunteers have donated significant amounts of time in specific programs and solicitations. However, no amounts for these donated services have been reflected in the consolidated financial statements because these donations do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. There were no donated materials recognized in the consolidated financial statements during the year ending December 31, 2022.

#### PAYCHECK PROTECTION PROGRAM LOAN

NIIC was approved for a second round of the Paycheck Protection Program loan in the amount of \$120,200 through the Coronavirus Aid, Relief, and Economic Security Act during the year ended December 31, 2021. NIIC held the loan as a debt instrument on the consolidated statement of financial position for the year ended December 31, 2021. The loan accrued interest at 1.00% per annum and was set to mature two years from the date it was funded. This loan was forgiven by the Small Business Administration in full on May 10, 2022. The forgiveness is recorded as grant income without donor restrictions on the consolidated statement of activities for the year ended December 31, 2022.

#### USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



# NORTHEAST INDIANA INNOVATION CENTER, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INCOME TAXES

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 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). NIIC is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, NIIC is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. NIIC files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

#### EXPENSES, ALLOCATION OF EXPENSES, AND JOINT COSTS

Expenses are reported when incurred and on a functional basis on the consolidated statement of functional expenses. Accordingly, certain costs, such as salaries and benefits, and depreciation have been allocated among the program services and supporting activities benefited. For the year ended December 31, 2022, expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived. NIIC incurred no joint costs for the year ended December 31, 2022.

#### ADVERTISING

Advertising costs are expensed as incurred, and include promotional materials and activities. Advertising expenses are reported as part of fundraising expenses on the consolidated statement of functional expenses. The total amount expensed as incurred for the year ended December 31, 2022, approximated \$6,900.

#### RECENTLY ADOPTED ACCOUNTING STANDARDS

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. Adoption of this standard had an immaterial impact on the consolidated financial statements and therefore required disclosures were omitted.

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2022

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects NIIC's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date.

Financial assets:	
Cash and cash equivalents	\$ 859,087
Accounts receivable–net	57,025
Grants receivable	303,704
Investments	259,922
Financial assets, at year end	1,479,738
Less those unavailable for general expenditures within one year, due to:	
Equity investments	(259,922)
Net assets with purpose restriction	(198,503)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,021,313

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.

4. GRANTS RECEIVABLE:

Grants receivable consists of the following at December 31, 2022:

Tax Increment Financing (TIF)	\$ 100,000
Community Navigator Pilot Program	57,916
Women's business ownership assistance	83,340
WEOC	62,448
	\$ 303,704

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2022

**5. INVESTMENTS:**

Investments consist of the following at December 31, 2022:

Equity investments:	
Allied Payment Network, Inc., cost	\$ 113,475
BioPoly, LLC, cost	122,469
VisionTech Elevate K12 Holdings LLC, cost	10,000
Hop River Brewing Company, LLC, cost	10,000
Other, cost	3,978
Total investments	\$ 259,922

NIIC uses appropriate valuation techniques to determine fair value based on inputs available. Equity investments are recorded using the equity method of accounting (at cost subject to impairment). During the year ended December 31, 2022, there was no investment impairment and thus all are reported at cost.

**6. PROPERTY AND EQUIPMENT, NET:**

Property and equipment, net, consist of the following at December 31, 2022:

Land lease receivable (note 11)	\$ 138,930
Buildings	13,244,328
Equipment	1,206,155
Leasehold improvements	379,321
Vehicles	59,796
	15,028,530
Accumulated depreciation	(7,032,914)
	\$ 7,995,616

**7. NOTES PAYABLE:**

Debt consists of the following at December 31, 2022:

Economic Injury Disaster Loan (EIDL), secured by business assets, with an interest rate of 2.75% and a maturity date of September 6, 2051. The loan is payable in monthly principal and interest payments of \$2,180 beginning January 6, 2023.	\$ 500,000
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**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2022

7. NOTES PAYABLE, continued:

Future estimated maturities of debt are as follows:

<u>Year ending December 31,</u>			
2023		\$	12,032
2024			12,367
2025			12,712
2026			13,066
2027			13,430
Thereafter			436,393
			436,393
		<u>\$</u>	<u>500,000</u>

8. NET ASSETS:

Net assets with donor restrictions consist of the following as of December 31, 2022:

Net assets with donor restrictions—purpose:

Land lease receivable (note 11)			
Breakthrough program		\$	138,930
			59,573
		<u>\$</u>	<u>198,503</u>

9. RETIREMENT PLAN:

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. NIIC made contributions to the plan in the amount of \$17,150 during the year ended December 31, 2022.

10. CONCENTRATION:

Approximately 41% of NIIC's total revenue was derived from the Small Business Administration in 2022.

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 fair value of the rent to be received has been discounted at 4.85% to its present value and has been recorded as land lease receivable. The land lease receivable is included in property and equipment on the consolidated statement of financial position.

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2022

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 29, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.