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September 22, 2023

Board of Directors  
Indiana Economic Development Corporation  
One North Capitol, Suite 700  
Indianapolis, Indiana 46204

We have reviewed the audit report of the Indiana Economic Development Corporation, which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indiana Economic Development Corporation as of June 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the Single Audit Report following the financial report on page 8. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's response and planned corrective action also appear on page 9.

In our opinion, Katz, Sapper & Miller, LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**INDIANA ECONOMIC DEVELOPMENT  
CORPORATION**  
**(A Component Unit of the State of Indiana)**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
WITH SUPPLEMENTARY INFORMATION

June 30, 2022



**Katz, Sapper & Miller, LLP**  
Certified Public Accountants

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

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## *Independent Auditor's Report*

Board of Directors  
Indiana Economic Development Corporation

### **Report on the Audit of Financial Statements**

#### ***Opinion***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indiana Economic Development Corporation, a component unit of the State of Indiana, (the IEDC) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the IEDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the IEDC, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the IEDC 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 opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the IEDC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IEDC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the IEDC'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of IEDC's proportionate share of the net pension liability and IEDC contributions and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022 on our consideration of the IEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IEDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IEDC's internal control over financial reporting and compliance.

*Katy, Sapper & Miller, LLP*

Indianapolis, Indiana  
December 13, 2022

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Year Ended June 30, 2022**

As management of the Indiana Economic Development Corporation (the Corporation), we offer readers of the Corporation's basic financial statements this narrative overview and analysis of the financial activities of the Corporation and the Indiana Economic Development Foundation, Inc. (the Foundation) (together, the IEDC) for the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with the Independent Auditor's Report at the beginning of this report and the financial statements, which follow this section.

This management's discussion and analysis (MD&A) is an opportunity for management to make information concerning the IEDC meaningful and understandable. In addition to describing the IEDC and its work, this MD&A briefly analyzes, discusses or presents:

- Basic financial statements
- Condensed financial information
- Overall financial position and results of operations
- Significant transactions within individual funds
- Significant capital and long-term debt activity
- Currently known facts

**BACKGROUND**

The IEDC was created to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy and the orderly economic development and growth of Indiana, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry, and the promotion of Indiana. The IEDC leads the state of Indiana's economic development efforts, helping businesses launch, grow and locate in the state. The IEDC manages many initiatives, including performance-based tax credits, workforce training grants, innovation and entrepreneurship resources, public infrastructure assistance, and talent attraction and retention efforts. The IEDC's Board of Directors is composed of 12 members, consisting of the Governor and 11 individuals appointed by the Governor. At least five members of the board must belong to the same political party as the Governor, and at least three members must belong to another major political party, but none may be members of the general assembly. The IEDC is reported as a discretely presented governmental component unit of the State of Indiana (the State).

The Corporation is the State's lead economic development agency. In order to respond quickly to the needs of businesses, the Corporation operates like a business. The Corporation is organized as a public-private partnership governed by a twelve-member board. The Corporation's Board of Directors is chaired by the Governor of Indiana and reflects the geographic and economic diversity of Indiana. The Corporation focuses its efforts on growing and retaining businesses in Indiana and attracting new business to the State. Economic development is the main objective of the Corporation, and it has incorporated most state entities with economic development responsibilities into its organizational structure. The Corporation is also responsible for the development and implementation of the State's strategic plan for economic development.

The Foundation was established under Indiana Code 5-28 to solicit and accept private sector funding, gifts, donations, bequests, devises, and contributions. The Foundation's purpose is to assist the Governor and the Corporation in reaching their economic development goals by raising funds from the general public and nonprofit foundations and organizations.

# INDIANA ECONOMIC DEVELOPMENT CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) Year Ended June 30, 2022

The accompanying financial statements of the IEDC conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022 fiscal year include the following:

- Total revenues were \$457.1 million as compared to total expenditures of \$130.4 million.
- Total net position increased by approximately \$326.7 million for the 2022 fiscal year. Revenues increased approximately \$187.3 million due to receiving \$300 million from the State Budget Agency to cover time sensitive projects. This increase is slightly offset due to prior year significant appropriations received from the State of Indiana for the Treasury COVID-19 Fund, which was created in 2020 to support the federal grant activity associated with the *Coronavirus Aid, Relief, and Economic Security Act (CARES)*. Expenses decreased approximately \$144.0 million due to significant expenses in prior year for COVID-19 based on the federal funding received.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include the kinds of statements required by GASB that present different financial views of the IEDC:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the IEDC's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the IEDC, reporting the IEDC's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

#### Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the IEDC's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the IEDC's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the IEDC is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

# INDIANA ECONOMIC DEVELOPMENT CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) Year Ended June 30, 2022

Both of the government-wide financial statements distinguish functions of the IEDC that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

In the government-wide financial statements, the activities of the IEDC are shown in two categories:

- Governmental Activities: The Corporation's activities are included here.
- Business-type Activities: The IEDC maintains a proprietary fund for the Foundation, which is included here.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The IEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the IEDC can be divided into two categories: governmental funds or proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The IEDC maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds, which are considered to be major funds: General, Business Promotion and Innovation, 21<sup>st</sup> Century Research & Technology, Skills Enhancement Fund, Indiana Promotional Fund, COVID-19 Treasury Fund, and Regional Economic Acceleration Fund. Data from the other funds are combined into a single, aggregated presentation.

The IEDC maintains a proprietary fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Foundation.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**  
**Year Ended June 30, 2022**

**FINANCIAL ANALYSIS OF THE IEDC AS A WHOLE**

**Net Position**

The following is condensed from the Statement of Net Position:

	<b>Governmental Activities (Corporation)</b>		<b>Business-type Activities (Foundation)</b>	
	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Current Assets	\$659,448,346	\$186,162,842	\$2,084,254	\$3,720,295
Capital and Noncurrent Assets	<u>132,920,714</u>	<u>118,391,404</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u>792,369,060</u>	<u>304,554,246</u>	<u>2,084,254</u>	<u>3,720,295</u>
<b>Deferred Outflows of Resources</b>	<u>1,753,128</u>	<u>1,030,951</u>	<u>-</u>	<u>-</u>
Current Liabilities	251,643,032	92,190,287	412,271	254,386
Noncurrent Liabilities	<u>2,479,635</u>	<u>3,448,988</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>254,122,667</u>	<u>95,639,275</u>	<u>412,271</u>	<u>254,386</u>
<b>Deferred Inflows of Resources</b>	<u>2,501,776</u>	<u>922,956</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	25,583,058	25,641,836		
Restricted	507,337,063	178,692,785	109,234	109,234
Unrestricted	<u>4,557,624</u>	<u>4,688,345</u>	<u>1,562,749</u>	<u>3,356,675</u>
<b>Total Net Position</b>	<u>\$537,497,745</u>	<u>\$209,022,966</u>	<u>\$1,671,983</u>	<u>\$3,465,909</u>

The total net position at June 30 was as follows:

	<b>2022</b>	<b>2021</b>
Assets	\$794,453,314	\$308,274,541
Deferred Outflows of Resources	1,753,128	1,030,951
Liabilities	254,534,938	95,893,661
Deferred Inflows of Resources	<u>2,501,776</u>	<u>922,956</u>
Net Position	<u>\$539,169,728</u>	<u>\$212,488,875</u>

The IEDC's total net position was \$539.2 million at June 30, 2022, compared to total net position of \$212.5 million at June 30, 2021.

Total assets increased \$486.2 million during fiscal year 2022. The primary change in assets is due to increase in cash related to \$200 million received as part of the American Rescue Plan Act by the Regional Economic Acceleration Fund and \$300 million received from the State Budget Agency by the Business Promotion Fund, the majority of which was transferred to the Indiana Promotion Fund. Total liabilities increased \$158.6 million. The primary change in liabilities is due to increase in unearned revenue related \$200 million received as part of the American Rescue Plan Act. The unearned revenue will be recognized when the eligibility requirements are met, including the incurring qualified expenditures, which will most likely be during fiscal year 2023.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**  
**Year Ended June 30, 2022**

**Change in Net Position**

The following is condensed from the Statement of Activities:

**Change in Net Position**  
**Years Ended June 30,**

	<b>Governmental Activities (Corporation)</b>		<b>Business-type Activities (Foundation)</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Program Revenues				
Operating grants, appropriations and contributions	\$453,916,583	\$268,230,856	\$ 2,595,349	\$ 804,458
General Revenues				
Gaming taxes	466,362	679,719	-	-
Interest income	96,097	8,713	3,137	4,570
<b>Total Revenues</b>	<u>454,479,042</u>	<u>268,919,288</u>	<u>2,598,486</u>	<u>809,028</u>
General government	126,001,623	273,676,472	-	-
Conferences, travel, meals and entertainment	-	-	3,975,641	511,909
Administration	-	-	279,722	64,864
Sponsorships	-	-	27,589	57,286
Other expense	-	-	112,100	64,033
<b>Total Expenses</b>	<u>126,001,623</u>	<u>273,676,472</u>	<u>4,395,052</u>	<u>698,092</u>
<b>Transfers Between Funds</b>	<u>(2,640)</u>	<u>(59,034)</u>	<u>2,640</u>	<u>59,034</u>
<b>Change in Net Position</b>	328,474,779	(4,816,218)	(1,793,926)	169,970
Beginning Net Position	<u>209,022,966</u>	<u>213,839,184</u>	<u>3,465,909</u>	<u>3,295,939</u>
Ending Net Position	<u>\$537,497,745</u>	<u>\$209,022,966</u>	<u>\$ 1,671,983</u>	<u>\$3,465,909</u>

The changes in net position for the years ended June 30 were as follows:

	<b>2022</b>	<b>2021</b>
Revenues	\$457,077,528	\$269,728,316
Expenses	<u>130,396,675</u>	<u>274,374,564</u>
Change in Net Position	<u>\$326,680,853</u>	<u>\$ (4,646,248)</u>

## INDIANA ECONOMIC DEVELOPMENT CORPORATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) Year Ended June 30, 2022

Revenues increased approximately \$187.3 million due to receiving \$300 million from the State Budget Agency by the Business Promotion Fund, the majority of which was transferred to the Indiana Promotion Fund, to cover time sensitive projects. This increase is slightly offset due to prior year appropriations received from the State of Indiana for the Treasury COVID-19 Fund, which was created in 2020 to support the federal grant activity associated with CARES. Expenses decreased approximately \$144.0 million due to significant expenses in prior year for COVID-19 federal funding received.

#### CAPITAL ASSETS AND LAND HELD FOR REDEVELOPMENT

By the end of fiscal year 2022, the IEDC had invested \$25,583,058 in capital assets. Current fiscal year depreciation on these assets was \$63,646.

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022
Depreciable capital assets:				
Furniture and equipment	\$ 215,003	\$ 4,868	\$ -	\$ 219,871
Computer software and hardware	187,896	-	-	187,896
Automobiles	<u>104,373</u>	<u>-</u>	<u>-</u>	<u>104,373</u>
Total depreciable capital assets	507,272	4,868	-	512,140
Less: Accumulated depreciation	<u>(365,436)</u>	<u>(63,646)</u>	<u>-</u>	<u>(429,082)</u>
Total Capital Assets, net	<u>\$ 141,836</u>	<u>\$(58,778)</u>	<u>\$ -</u>	<u>\$ 83,058</u>

During 2021, IEDC purchased 91 acres of land formerly known as the GM Stamping Plant site for \$25.5 million, which is classified as land held for redevelopment on the statement of net position. IEDC plans provide 45 acres of this land to Elanco Animal Health, Inc. (Elanco) to develop its new world headquarters campus at an estimated cost of \$100 million. In addition, Elanco has a restricted option to purchase an additional 20 acres of this property. As part of this development the State and City of Indianapolis have agreed to provide certain grants, tax credits and tax-increment financing.

Additional information on IEDC's capital assets can be found in Note 4 to the financial statements on page 26 of this report.

#### CURRENTLY KNOWN FACTS

The IEDC is a recipient of both Federal and State funding – through Federal grants and State appropriations. The IEDC has applied for additional Federal funding and has the support of the Governor's office and OMB for increased State appropriations in the next biennium. While the future economic climate will influence both funding sources, it is anticipated the IEDC will receive significantly more funding than pre-pandemic levels.

#### CONTACTING IEDC'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the IEDC's finances and to demonstrate the IEDC's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204.

## **BASIC FINANCIAL STATEMENTS**

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

**STATEMENT OF NET POSITION**  
**June 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
<b>CURRENT ASSETS</b>			
Cash	\$ 191,261,139	\$ 1,463,241	\$ 192,724,380
Funds held by State of Indiana	465,408,520	-	465,408,520
Accounts receivable	-	621,013	621,013
Grants receivable	2,777,235	-	2,777,235
Interest receivable	1,452	-	1,452
Total Current Assets	<u>659,448,346</u>	<u>2,084,254</u>	<u>661,532,600</u>
<b>NONCURRENT ASSETS</b>			
Loans receivable, net	106,142,484	-	106,142,484
Intangible lease asset	1,195,172	-	1,195,172
Land held for redevelopment	25,500,000	-	25,500,000
Capital assets, net	83,058	-	83,058
Total Noncurrent Assets	<u>132,920,714</u>	<u>-</u>	<u>132,920,714</u>
<b>TOTAL ASSETS</b>	<u>792,369,060</u>	<u>2,084,254</u>	<u>794,453,314</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,753,128</u>	<u>-</u>	<u>1,753,128</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	51,853,100	412,271	52,265,371
Accrued expenses	990,704	-	990,704
Unearned revenue	197,974,356	-	197,974,356
Accrued liability for compensated absences	576,636	-	576,636
Lease liability - current	248,236	-	248,236
Total Current Liabilities	<u>251,643,032</u>	<u>412,271</u>	<u>252,055,303</u>
<b>NONCURRENT LIABILITIES</b>			
Pension liability	1,532,699	-	1,532,699
Lease liability - noncurrent	946,936	-	946,936
Total Noncurrent Liabilities	<u>2,479,635</u>	<u>-</u>	<u>2,479,635</u>
Total Liabilities	<u>254,122,667</u>	<u>412,271</u>	<u>254,534,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>2,501,776</u>	<u>-</u>	<u>2,501,776</u>
<b>NET POSITION</b>			
Net investment in capital assets	25,583,058	-	25,583,058
Restricted	507,337,063	109,234	507,446,297
Unrestricted	4,577,624	1,562,749	6,140,373
<b>TOTAL NET POSITION</b>	<u>\$ 537,497,745</u>	<u>\$ 1,671,983</u>	<u>\$ 539,169,728</u>

See accompanying notes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2022**

<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Program Revenues Operating Grants, Appropriations and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>		
			<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>PRIMARY GOVERNMENT</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General government	\$ 126,001,623	\$ 453,916,583	\$ 327,914,960		\$ 327,914,960
Total Governmental Activities	<u>126,001,623</u>	<u>453,916,583</u>	<u>327,914,960</u>		<u>327,914,960</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Foundation	4,395,052	2,595,349		\$ (1,799,703)	(1,799,703)
Total Business-Type Activities	<u>4,395,052</u>	<u>2,595,349</u>		<u>(1,799,703)</u>	<u>(1,799,703)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 130,396,675</u>	<u>\$ 456,511,932</u>	<u>327,914,960</u>	<u>(1,799,703)</u>	<u>326,115,257</u>
<b>GENERAL REVENUES</b>					
Gaming taxes			466,362	-	466,362
Interest income			96,097	3,137	99,234
Total General Revenues			<u>562,459</u>	<u>3,137</u>	<u>565,596</u>
<b>TRANSFERS</b>			<u>(2,640)</u>	<u>2,640</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>			328,474,779	(1,793,926)	326,680,853
<b>NET POSITION - BEGINNING OF YEAR</b>			<u>209,022,966</u>	<u>3,465,909</u>	<u>212,488,875</u>
<b>NET POSITION - END OF YEAR</b>			<u>\$ 537,497,745</u>	<u>\$ 1,671,983</u>	<u>\$ 539,169,728</u>

See accompanying notes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2022**

**ASSETS**

	General	Business Promotion and Innovation	21st Century Research & Technology	Skills Enhancement Fund	Indiana Promotion Fund	COVID-19 Treasury Fund	Regional Economic Accel. Fund	Other Funds	Totals
<b>ASSETS</b>									
Funds held by									
State of Indiana	\$ 753,480	\$ 11,679,337	\$ 2,036,365	\$ 52,475,899	\$ 301,815,888	\$ 41,906,058	\$ 8,667,311	\$ 46,074,182	\$ 465,408,520
Cash	-	-	-	-	-	-	190,280,188	980,951	191,261,139
Grants receivable	-	-	-	-	-	-	-	2,777,235	2,777,235
Interest receivable	-	-	-	1,452	-	-	-	-	1,452
Due from other funds	-	861,447	-	-	-	-	-	-	861,447
Loans receivable, net	-	-	79,473,963	-	-	-	-	26,668,521	106,142,484
<b>TOTAL ASSETS</b>	<b><u>\$ 753,480</u></b>	<b><u>\$ 12,540,784</u></b>	<b><u>\$ 81,510,328</u></b>	<b><u>\$ 52,477,351</u></b>	<b><u>\$ 301,815,888</u></b>	<b><u>\$ 41,906,058</u></b>	<b><u>\$ 198,947,499</u></b>	<b><u>\$ 76,500,889</u></b>	<b><u>\$ 766,452,277</u></b>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>									
Accounts payable	\$ 147,207	\$ 2,891,417	\$ 2,172,760	\$ 862,192	\$ 25,000	\$ 41,906,058	\$ 970,951	\$ 2,877,515	\$ 51,853,100
Due to other funds	-	-	-	-	-	-	-	861,447	861,447
Accrued expenses	594,713	144,169	96,021	29,291	-	-	2,192	124,318	990,704
Unearned revenue	-	-	-	-	-	-	197,974,356	-	197,974,356
Total Liabilities	<u>741,920</u>	<u>3,035,586</u>	<u>2,268,781</u>	<u>891,483</u>	<u>25,000</u>	<u>41,906,058</u>	<u>198,947,499</u>	<u>3,863,280</u>	<u>251,679,607</u>
<b>Total Liabilities</b>	<b><u>741,920</u></b>	<b><u>3,035,586</u></b>	<b><u>2,268,781</u></b>	<b><u>891,483</u></b>	<b><u>25,000</u></b>	<b><u>41,906,058</u></b>	<b><u>198,947,499</u></b>	<b><u>3,863,280</u></b>	<b><u>251,679,607</u></b>
<b>FUND BALANCES</b>									
Non-spendable	-	-	79,473,963	-	-	-	-	26,668,521	106,142,484
Restricted	-	9,505,198	-	51,585,868	294,134,425	-	-	45,969,088	401,194,579
Assigned	-	-	-	-	7,656,463	-	-	-	7,656,463
Unassigned	11,560	-	(232,416)	-	-	-	-	-	(220,856)
Total Fund Balances	<u>11,560</u>	<u>9,505,198</u>	<u>79,241,547</u>	<u>51,585,868</u>	<u>301,790,888</u>	<u>-</u>	<u>-</u>	<u>72,637,609</u>	<u>514,772,670</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 753,480</u></b>	<b><u>\$ 12,540,784</u></b>	<b><u>\$ 81,510,328</u></b>	<b><u>\$ 52,477,351</u></b>	<b><u>\$ 301,815,888</u></b>	<b><u>\$ 41,906,058</u></b>	<b><u>\$ 198,947,499</u></b>	<b><u>\$ 76,500,889</u></b>	<b><u>\$ 766,452,277</u></b>

See accompanying notes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2022**

Fund balances - total governmental funds	\$ 514,772,670
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	25,583,058
Liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds	(1,532,699)
Deferred outflows of resources related to pension are not financial resources and, therefore, are not reported in the fund statements	1,753,128
Deferred inflows of resources related to pension are not available to pay for current period expenditures and, therefore, are not reported in the fund statements	(2,501,776)
Liability for compensated absences for employees who have not left active service by June 30, 2022 and are due pending payments are not reported in the fund statements	<u>(576,636)</u>
Net position of governmental activities	<u><u>\$ 537,497,745</u></u>

See accompanying notes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2022**

	General	Business Promotion and Innovation	21st Century Research & Technology	Skills Enhancement Fund	Indiana Promotional Fund	COVID-19 Treasury Fund	Regional Economic Accel. Fund	Other Funds	Totals
<b>REVENUES</b>									
Gaming taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 466,362	\$ 466,362
Current service charges	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	49,371	-	-	-	46,726	96,097
State appropriations and grants	7,955,116	316,959,371	32,747,379	10,593,888	-	41,157,987	2,025,644	42,181,003	453,620,388
Other funding	-	-	-	-	296,195	-	-	-	296,195
<b>Total Revenues</b>	<u>7,955,116</u>	<u>316,959,371</u>	<u>32,747,379</u>	<u>10,643,259</u>	<u>296,195</u>	<u>41,157,987</u>	<u>2,025,644</u>	<u>42,694,091</u>	<u>454,479,042</u>
<b>EXPENDITURES</b>									
Current:									
General government	8,433,334	21,443,142	20,003,350	6,634,673	1,575,894	40,570,123	2,025,644	26,351,081	127,037,241
Capital outlay:									
Capital outlay	4,868	-	-	-	-	-	-	-	4,868
<b>Total Expenditures</b>	<u>8,438,202</u>	<u>21,443,142</u>	<u>20,003,350</u>	<u>6,634,673</u>	<u>1,575,894</u>	<u>40,570,123</u>	<u>2,025,644</u>	<u>26,351,081</u>	<u>127,042,109</u>
<b>Excess (Deficit) of Revenues over Expenses</b>	<u>(483,086)</u>	<u>295,516,229</u>	<u>12,744,029</u>	<u>4,008,586</u>	<u>(1,279,699)</u>	<u>587,864</u>	<u>-</u>	<u>16,343,010</u>	<u>327,436,933</u>
<b>OTHER FINANCING USES</b>									
Transfers in	-	-	-	-	294,334,425	-	-	700,000	295,034,425
Transfers out	(2,640)	(294,134,425)	-	-	-	-	-	(900,000)	(295,037,065)
<b>Total Other Financing Uses</b>	<u>(2,640)</u>	<u>(294,134,425)</u>	<u>-</u>	<u>-</u>	<u>294,334,425</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>(2,640)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(485,726)</u>	<u>1,381,804</u>	<u>12,744,029</u>	<u>4,008,586</u>	<u>293,054,726</u>	<u>587,864</u>	<u>-</u>	<u>16,143,010</u>	<u>327,434,293</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>497,286</u>	<u>8,123,394</u>	<u>66,497,518</u>	<u>47,577,282</u>	<u>8,736,162</u>	<u>(587,864)</u>	<u>-</u>	<u>56,494,599</u>	<u>187,338,377</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 11,560</u>	<u>\$ 9,505,198</u>	<u>\$ 79,241,547</u>	<u>\$ 51,585,868</u>	<u>\$ 301,790,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,637,609</u>	<u>\$ 514,772,670</u>

See accompanying notes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2022**

Net changes in fund balances - total governmental funds	\$ 327,434,293
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense is not reported in the fund statements, but is reported as a decrease in net position in the statement of activities	(63,646)
Capital outlays are reported as expenditures in the fund statements, but are reported as additions to capital assets in the statement of net position	4,868
Pension expense recognized in the statement of activities in excess of pension contributions recognized as expenditures in the fund statements	1,059,646
Increase in compensated absences that is not reported in the fund statements	<u>39,618</u>
Change in net position of governmental activities	<u><u>\$ 328,474,779</u></u>

See accompanying notes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2022**

	<u>Foundation</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 1,463,241
Accounts receivable	<u>621,013</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,084,254</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	<u>412,271</u>
Total Liabilities	<u>412,271</u>
<b>NET POSITION</b>	
Restricted	109,234
Unrestricted	<u>1,562,749</u>
Total Net Position	<u><u>1,671,983</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 2,084,254</u></u>

See accompanying notes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2022**

	<b>Foundation</b>
<b>OPERATING REVENUES</b>	
Contributions	\$ 2,595,349
Total Operating Revenues	2,595,349
<b>OPERATING EXPENSES</b>	
Conferences, travel, meals and entertainment	3,975,641
Administration	279,722
Sponsorships	27,589
Other expense	112,100
Total Operating Expenses	4,395,052
Operating Loss	(1,799,703)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	3,137
Total Nonoperating Revenues (Expenses)	3,137
Loss before Transfers	(1,796,566)
<b>TRANSFERS IN</b>	2,640
<b>CHANGE IN NET POSITION</b>	(1,793,926)
<b>NET POSITION - BEGINNING OF YEAR</b>	3,465,909
<b>NET POSITION - END OF YEAR</b>	\$ 1,671,983

*See accompanying notes.*

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2022**

	<b>Foundation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from donors	\$ 1,998,593
Cash paid to supplies for goods and services	<u>(4,237,167)</u>
Net Cash Used by Operating Activities	<u>(2,238,574)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in	<u>36,173</u>
Net Cash Provided by Noncapital Financing Activities	<u>36,173</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received on deposits	<u>3,137</u>
Net Cash Used by Investing Activities	<u>3,137</u>
<b>NET DECREASE IN CASH</b>	(2,199,264)
<b>CASH</b>	
Beginning of Year	<u>3,662,505</u>
End of Year	<u>\$ 1,463,241</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>	
Operating loss	\$ (1,799,703)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in certain assets:	
Accounts receivable	(596,756)
Changes in certain liabilities:	
Accounts payable	334,285
Unearned revenue	<u>(176,400)</u>
Net Cash Used by Operating Activities	<u>\$ (2,238,574)</u>

*See accompanying notes.*

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity:** By Indiana Code 5-28, the Indiana General Assembly created Indiana Economic Development Corporation (the Corporation), a component unit of the State of Indiana (the State), as a separate corporation. The Corporation is the lead economic development agency for the State. The Corporation is organized as a public-private partnership governed by a twelve-member board. The Corporation's Board of Directors is chaired by the Governor of Indiana and reflects the geographic and economic diversity of Indiana. The Corporation focuses its efforts on growing and retaining businesses in Indiana and attracting new business to the State. The Corporation is also responsible for the development and implementation of Indiana's strategic plan for economic development. The Corporation along with its blended component unit (collectively, the IEDC) is a component unit to be included in the State's Annual Comprehensive Financial Report, because it was established as a separate body, corporate and politic (not a state agency). A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable.

**Blended Component Unit:** Indiana Code 5-28, also authorized the Indiana Economic Development Foundation, Inc. (the Foundation) as a nonprofit under common control of the Corporation to solicit and accept private sector funding, gifts, donations, bequests, devises, and contributions. The Foundation's purpose is to assist the Governor and the Corporation in reaching their economic development goals by raising funds from the general public and nonprofit foundations and organizations. The Corporation is considered to be financially accountable for the Foundation and, in substance, the Foundation is part of the Corporation's operations even though the Foundation is a legally separate entity. The Foundation is therefore presented as a blended component unit of the Corporation.

**Basis of Presentation:** The accompanying financial statements of the IEDC conforms with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) document these principles.

**New Accounting Pronouncement:** During 2022, the IEDC adopted GASB Statement No. 87, *Leases* (Statement No. 87). Statement No. 87 requires lessees to recognize a lease liability and an intangible right-to-use lease asset for leases that previously were classified as operating leases, thereby enhancing the relevance and consistency of information about a government's leasing activities. The adoption had no impact on the opening balance of net position as of July 1, 2021.

**Government-Wide Financial Statements:** The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all activities of the IEDC. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**Fund Financial Statements:** Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The IEDC reports seven major governmental funds, and the descriptions of these funds are noted below:

**General:** This fund supports the administrative functions of the IEDC. It provides the funding for overhead and operating costs. IC 5-28-3 established the IEDC in February 2005 which transferred the duties and powers of the Department of Commerce, the 21st Century Research and Technology Fund board, the Steel Industry Advisory Commission, the Enterprise Zone board, the Small Business Development Corporation, the Film Commission, and the Business Modernization and Technology Corporation to the IEDC.

**Business Promotion and Innovation:** The fund was established by HEA 1001 during the 2017 legislative session. The Fund was created to promote business investment and encourage entrepreneurship and innovation. The funding may be used to encourage regional development initiatives; incentivize direct flights both internationally and domestically to and from airports across Indiana; advance innovation and entrepreneurship education, programming and resources through strategic partnerships; promote the State of Indiana and its competitive business climate to national and international audiences; and support activities that encourage international growth and trade.

**21st Century Research & Technology:** This fund facilitates the operation of the 21st Century Research and Technology Fund. The Indiana 21st Century Research and Technology Fund was created in 1999 by the General Assembly to stimulate diversification of the State's economy by developing and commercializing advanced technologies in Indiana. The goal of the 21st Century Fund is to expand public private partnerships to foster innovation, leverage entrepreneur activities in Indiana, and create new partnerships between universities and businesses. Such partnerships will position Indiana as a welcoming entrepreneurial environment that embraces innovation and the entrepreneurial spirit.

**Skills Enhancement Fund:** This fund funds the Training 2000 Program also known as the Skills Enhancement Fund (SEF). The SEF is a tool to encourage companies to invest in their existing workforce and to train new employees. The SEF provides reimbursement for eligible training expenses over a two year term. IC 5-28-7 specifies the funding and parameters of the program. The SEF grant is an integral economic development tool which is important for job creation and the continued enhancement of Hoosier human capital. Training funds are obligated at the time the Corporation makes a preliminary offer, but there are still reporting requirements that must be met to receive reimbursement of training costs. The fund balance of \$51,585,868 had commitments of \$44,005,565 (85.3%) as of June 30, 2022.

**Indiana Promotion Fund:** This fund supports the IEDC's mission, allows the IEDC to operate in a business-like manner, and offers the flexibility necessary to drive economic development in Indiana. Indiana Code 5-28-5-12 specifies the basis for the Indiana Promotion Fund. The IEDC Board of Directors approved a resolution which authorizes the President and other officers of the Corporation to use the financial resources of the Indiana Promotion Fund for all proper corporate purposes and for economic development activities with the approval of the Director of the State Budget Agency.

## NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**COVID-19 Treasury Fund:** This fund was created during 2020 to support the federal grant activity associated with the Coronavirus Aid, Relief, and Economic Security Act (CARES) due to the global spread of the SARS-CoV-2 virus (COVID-19). Shortly after the pandemic started in March 2020, the State received a significant portion of CARES funding from the federal government. A portion of this funding was passed through to IEDC to provide grants under four programs. The first program, called Indiana Small Business PPE Marketplace, provides small business and nonprofits with reliable access to personal protective equipment (PPE) to ensure organizations have the supplies needed to safely reopen. The second program, called Small Business Restart Grant program, provides grants to Indiana business meeting certain qualifications to cover expenses related to the COVID-19 pandemic. The third program, called Smart Manufacturing, provide grants to Indiana businesses to help them expand critical knowledge and lower the barriers to Smart Manufacturing adoption and healthcare manufacturing equipment procurement. The last program is to be by IEDC to engage a firm to complete program compliance auditing and continuous monitoring of programs related to the CARES funding. All the funding had to be spent by December 31, 2021. Therefore, the remaining cash balance as of June 30, 2022, of \$41,906,058 will be paid back in fiscal year 2023.

**Regional Economic Acceleration Fund:** This fund is to help encourage neighboring communities across the state to work collaboratively to develop a bold vision for their future that, when implemented, will attract, develop and retain talent in Indiana. To achieve this vision, regions will develop data-driven, actionable and sustainable development plans that outline strategies focused on improving the quality of place, quality of life and quality of opportunity within their communities. To help regions achieve their goals, the IEDC will award up to \$50 million per region to accelerate the implementation of regional development plans and the programs and projects identified that will catalyze economic and population growth.

The IEDC reports one proprietary fund for the Foundation operations.

**Basis of Accounting:** The government-wide financial statements and the proprietary fund financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated non-exchange revenues and voluntary non-exchange revenues and certain grants and entitlements are recognized in the period when all applicable eligibility requirements have been met.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. The governmental funds recognize expenditures for these liabilities to the extent they will be matured or liquidated with expendable financial resources.

**Estimates:** Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United State of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

**Cash** consists of amounts maintained in bank deposit accounts held in the IEDC's name.

**Funds Held by the State of Indiana** are maintained and invested by the State for the IEDC.

## NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Grants and Accounts Receivable** consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts, if determined to be necessary. Grants and accounts receivable are recorded at net realizable value when earned. Grant revenue is recognized when eligibility requirements are met.

Revenue recognized related to receiving payments from the State was \$405,850,745 from State appropriations, augmentation, and grants and \$466,362 from gaming taxes during fiscal year 2022.

An allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances, and general economic conditions. Periodically, management reviews grants and accounts receivable and considers the need for an allowance based on current circumstances. Management has estimated that no allowance was necessary at June 30, 2022.

**Loans Receivable** are carried at the principal amount outstanding, net of an allowance for doubtful accounts. Interest income is accrued on the principal balance of the loans, when deemed to be collectible. The IEDC's source of funding for loans is from State appropriations and grants. Because there are a small number of loans outstanding, management estimates the allowance for loan loss by identifying specific troubled loans. The determination of the adequacy of the allowance for loan loss is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. At June 30, 2022, the allowance for loan loss was \$27,471,599. Management believes that as of June 30, 2022, the allowance for loan losses is adequate based on information currently available.

**Capital Assets:** Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The IEDC provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

Furniture and equipment	5-7 years
Automobiles	8 years
Computer software and hardware	3 years

**Long-lived Assets**, including the IEDC's capital assets, land held for redevelopment, and intangible lease assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of long-lived assets were required in fiscal year 2022.

**Deferred Outflows of Resources:** The IEDC reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources reported at June 30, 2022, related to the defined benefit pension plan. Deferred outflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members, except for the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

**Deferred Inflow of Resources:** The IEDC reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its statement of net position. Deferred inflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members, except the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

**Unearned Revenue:** Unearned revenue consists of federal funds received in advance of eligibility requirements being met. Funds are recognized as revenue once all eligibility requirements are met.

## NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Compensated Absences:** Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absences are based generally on length of service. Vacation leave, which has been earned but not paid, has been accrued in the accompanying financial statements. Compensation for holiday and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or vest.

**Pension Plan:** The employees of the Corporation participate in the Indiana Public Retirement System (INPRS). The Corporation recognizes its proportionate share of the collective net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense. See Note 7.

**Net Position and Fund Balances:** In the government-wide and proprietary fund financial statements, the components of net position are categorized as follows:

- Net investment in capital assets - resources resulting from capital acquisition, net of accumulated depreciation.
- Restricted - net position subject to externally imposed stipulations as to use.
- Unrestricted - net position which are available for use of the IEDC.

When both restricted and unrestricted resources are available for use, it is the IEDC's policy to use restricted resources first, then unrestricted resources as they are needed.

Within the fund financial statements, the fund balances are classified in the following manner:

- Non-spendable - This consists of resources that are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted - This consists of resources that can be spent only for the specific purpose stipulated by constitution, external parties (e.g. grantors, creditors or other governments), or enabling legislation.
- Committed - This consists of resources that can only be used for specific purposes pursuant to formal action of the government's highest level of decision-making authority, which is the IEDC's Board of Directors.
- Assigned - This consists of resources constrained by the government's intention to use them for specific purposes, but are neither restricted nor committed.
- Unassigned - This consists of residual fund balances that do not meet the criteria of nonspendable, restricted, committed or assigned.

The IEDC's policy is to apply expenditures to restricted resources first, then committed, then assigned, and finally to unassigned, as applicable.

**Subsequent Events:** The IEDC has evaluated the financial statements for subsequent events occurring through December 13, 2022, the date the financial statements were available to be issued.

## NOTE 2 - DEPOSITS

As of June 30, 2022, the IEDC had \$658,132,900 in deposit balances. These balances are classified in the statement of net position as follows:

Cash	\$192,724,380
Funds held by State of Indiana	<u>465,408,520</u>
	<u>\$658,132,900</u>

Custodial credit risk is the risk that in the event of a bank failure, the IEDC's deposits may not be returned to it. The IEDC's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The IEDC's cash deposits are insured up to \$250,000 at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$250,000 FDIC limits are partially or fully collateralized by the depository institution and insured by the Indiana Public Deposits Insurance Fund (Fund) via the pledged collateral from the institutions securing deposits of public funds. The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

## NOTE 3 - RELATED PARTIES

Indiana 21<sup>st</sup> Century Fund, LP (the 21 Fund) was formed on August 25, 2011. The 21 Fund was formed for the purpose of encouraging the formation and growth of investor groups and investments across the State, including a focus on Indiana's distressed regions and populations, in order to foster and promote the development of entrepreneurs and emerging companies within Indiana in support of Indiana's economy and its creation and retention of jobs. The 21 Fund will give the charitable and governmental purposes of its partners priority over maximizing profits and any other commercial interests which may arise as a result of its investments in awardees.

The Foundation is a limited partner that holds a 45% interest in the 21 Fund. The general partner is Elevate Advisors, LLC, which has a 10% interest, and the other limited partner is Elevate Ventures, Inc., which has a 45% interest. The Foundation is not liable for any loss of the 21 Fund as a limited partner. The Foundation's capital account is not in a deficit position at June 30, 2022, however management does not believe equity of the fund has material value at June 30, 2022. Therefore, no asset or liability is recorded in the statement of net position for this interest.

Under the SSBCI Program, the Department of Treasury awarded certain funds to the State for allocation and investment within its 21 Fund State venture capital program with administration by the IEDC. The contract is not considered federal funding for the purposes of the Office of Management and Budget Uniform Guidance Single Audit requirements. These funds have been allocated for investment within each of the LLCs referenced below which are all wholly-owned by the 21 Fund.

- Indiana Angel Network Fund, LLC (the IAN Fund) is a source of seed capital dedicated to discovering and nurturing emerging, high-potential, innovation-based companies within the State. The IAN Fund supports direct seed and early-stage investment in Indiana companies alongside qualified angel and other investors.
- Indiana Seed Fund Holdings, LLC (the ISFH Fund) is a source of capital for the formation and growth of angel, seed, and venture capital funds for making investments in startup and early-stage, high-potential companies in the State. The ISFH Fund is a fund of funds and supports investment in earlier-stage Indiana companies.
- Indiana High Growth Fund, LLC (the IHG Fund) is a source of capital for the building of high-growth capital pools or funds dedicated to making investments in emerging, high-potential companies within the State. The IHG Fund is a fund of funds and supports investments in growing Indiana companies.

#### **NOTE 4 - LOANS RECEIVABLE**

The IEDC has net convertible loans receivable from the 21 Fund totaling \$79,473,963, including an allowance of \$18,875,000, at June 30, 2022, with a maturity date of the dissolution date of the 21 Fund. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the loans into a limited partner interest in the 21 Fund. The loans accrue interest at a simple rate of 1% per year. No payments are due until the maturity date, at which time all accrued interest will be paid first, followed by any outstanding principal of the loan. Prepayments of the loans are not allowed without the IEDC's approval.

The loans receivable have been used by the 21 Fund to issue notes to Indiana companies. The notes have stated interest rates that compound annually or do not compound. The notes are generally unsecured and usually can be converted into shares of stock of the respective companies. Generally, principal and interest payments are not allowed on the notes until the maturity date.

The IAN Fund has a loan agreement in place for available principal of \$15,023,131 that is a convertible note payable to the IEDC with a maturity date of August 2, 2025. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the IAN Fund. The note accrues interest at a simple rate of 1% per year. At June 30, 2022, the IAN Fund had drawn the full amount on this note.

The ISFH Fund has a loan agreement in place for available principal of \$6,000,000 that is a convertible note payable to the IEDC with a maturity date of December 20, 2025. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the ISFH Fund. The note accrues interest at a simple rate of 1% per year. At June 30, 2022, the ISFH Fund had drawn the full amount on this note.

The IHG Fund has a loan agreement in place for available principal of \$6,000,000 that is a convertible note payable to the IEDC with a maturity date of December 20, 2025. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the IHG Fund. The note accrues interest at a simple rate of 1% per year. At June 30, 2022, the IHG Fund had drawn \$4,998,161.

The SSBCI-Extender Fund has a loan agreement in place for available principal of \$7,316,290 that is a convertible note payable to the IEDC with a maturity date of February 7, 2033. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the Extender Fund. The note accrues interest at a simple rate of 1% per year. At June 30, 2022, the Extender Fund had drawn the full amount on this note.

The total allowance recorded on the IAN, ISFH, IHG and SSBCI-Extender Fund loans, which are included in the State Small Business Credit Initiative Fund, was \$7,163,653 at June 30, 2022.

Additionally, for any note that becomes impaired, the IEDC may forgive a portion of the loans receivable equal to the principal of the note receivable and accrued interest up to 1% per year of the principal balance, less any proceeds received from the note receivable. An allowance for uncollectible accounts is determined by management based upon specific circumstances, knowledge of Indiana companies that hold notes and general economic conditions. At June 30, 2022, the loan allowance totaled \$26,460,093 for all funds.

Additional loans were made by IEDC with varying maturities dates. The gross amount of these loans at June 30, 2022 is included in the Other Nonmajor Funds for \$2,452,538 with an allowance of \$1,432,946.

## NOTE 5 - CAPITAL ASSETS AND LAND HELD FOR REDEVELOPMENT

Capital assets used in governmental activities for the year ended June 30, 2022, were as follows:

	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022
Depreciable capital assets:				
Furniture and equipment	\$ 215,003	\$ 4,868	\$ -	\$ 219,871
Computer software and hardware	187,896	-	-	187,896
Automobiles	<u>104,373</u>	<u>-</u>	<u>-</u>	<u>104,373</u>
Total depreciable capital assets	507,272	4,868	-	512,140
Less: Accumulated depreciation	<u>(365,436)</u>	<u>(63,646)</u>	<u>-</u>	<u>(429,082)</u>
Total Capital Assets, net	<u>\$ 141,836</u>	<u>\$(58,778)</u>	<u>\$ -</u>	<u>\$ 83,058</u>

During 2021, IEDC purchased 91 acres of land formerly known as the GM Stamping Plant site for \$25.5 million, which is classified as land held for redevelopment on the statement of net position. IEDC plans provide 45 acres of this land to Elanco Animal Health, Inc. (Elanco) to develop its new world headquarters campus at an estimated cost of \$100 million. In addition, Elanco has a restricted option to purchase an additional 20 acres of this property. As part of this development the State and City of Indianapolis have agreed to provide certain grants, tax credits and tax-increment financing.

## NOTE 6 - INTANGIBLE LEASE ASSET AND LEASE LIABILITY

The IEDC currently leases office space pursuant to a non-cancelable lease expiring in April 2031. As of July 1, 2021, the intangible asset had a balance of \$2,811,836 and accumulated amortization of \$1,410,106, which nets to a balance of \$1,401,730. During 2022, there was amortization expense of \$258,878, which increased accumulated amortization to \$1,616,664 as of June 30, 2022. The intangible lease asset had a net balance of \$1,195,172 as of June 30, 2022.

The lease liability was determined using an imputed discount rate of 4.00%. The lease liability had a balance of \$1,401,730 as of July 1, 2021, and a balance of \$1,195,172 as of June 30, 2022.

At June 30, 2022, the future minimum rental payments required by the long-term noncancellable office space lease were as follows:

	Principal	Interest	Total
2023	\$ 204,274	\$ 44,052	\$ 248,326
2024	214,799	35,741	250,540
2025	228,970	26,891	255,861
2026	243,718	17,464	261,182
2027	259,067	7,436	266,503
2028	<u>44,344</u>	<u>222</u>	<u>44,566</u>
	<u>\$ 1,195,172</u>	<u>\$ 131,806</u>	<u>\$ 1,326,978</u>

## **NOTE 7 - BENEFIT PLAN**

### **Plan Description**

The IEDC is a participating employer of the Public Employees' Hybrid plan (PERF Hybrid), and its employees are participating members. PERF Hybrid is part of the Public Employees' Retirement Fund (PERF) and consists of two components: the Public Employees' Defined Benefit Account (PERF DB), the monthly employer-funded defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account.

PERF Hybrid is administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report, including PERF Hybrid, that may be obtained at <http://www.inprs.in.gov/>.

### **Public Employees' Defined Benefit Account**

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2, and other Indiana pension law.

#### **Eligibility for Pension Benefit Payment**

*Full Retirement Benefit:* A member is entitled to a full retirement benefit at 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position.

*Early Retirement Benefit:* A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is 44% of full benefits at age 50, increasing 5% per year up to 89% at age 59.

*Disability Benefit:* An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of disability.

*Survivor Benefit:* If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

#### **Contribution Rates**

Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board updates the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. No member contributions are required. The IEDC's contributions to PERF DB were \$866,134 for the year ended June 30, 2022.

## NOTE 7 - BENEFIT PLANS (CONTINUED)

### **Benefit Formula and Postretirement Benefit Adjustment**

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1% (minimum of \$180 per month). Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS IEDC.

### **Public Employees' Defined Contribution Account**

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law.

### **Contribution Rates**

Member contributions under PERF DC are set by statute and the Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The IEDC made no contributions to PERF DC for the year ended June 30, 2022. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

### **Benefit Terms**

Members (or their beneficiaries) are entitled to the sum total of contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death) or upon providing proof of the member's qualification for Social Security disability benefits. As of January 1, 2021, members at least 62 years of age with five qualifying years of service may take an in-service distribution of their DC account. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100% vested in their account balance.

### **Significant Actuarial Assumptions**

The total pension liability is determined using an actuarial valuation performed by INPRS actuaries, which involves estimates of the value of reported amounts (e.g., salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed.

INPRS completed an actuarial experience study in February 2020. Assumption changes were recommended to the INPRS Board and adopted in June 2020 and were used beginning with the June 30, 2020 actuarial valuation. Economic assumptions were updated and approved by the INPRS Board in May 2021 following the completion of an asst-liability study and first used in the June 30, 2021 actuarial valuation. Assumptions related to rate of return, future salaries, and inflation were decreased from the prior measurement date. No changes in methods were recommended or adopted.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Asset valuation date:	June 30, 2021
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**NOTE 7 - BENEFIT PLANS (CONTINUED)**

Liability valuation date and method:	June 30, 2020 - Member census data as of June 30, 2020 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2020 and June 30, 2021. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2020 to the June 30, 2021 measurement date.	
Actuarial cost method:	Entry age normal - level percent of payroll	
Experience study date:	Computed February 2020 and reflects the experience period from July 1, 2014 to June 30, 2019	
Investment rate of return:	6.25%	
COLA:	Beginning January 1, 2024 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%	
Future salary increases, including inflation:	2.65% - 8.65%	
Inflation:	2.00%	
Mortality – Healthy Employees and Retirees:	Base Table M/F Set Forward	PubG-2020 +3/+1
Mortality – Disabled:	Base Table Load	PubG-2010 140%
Mortality – Beneficiaries:	Base Table M/F Set Forward	PubCS-2020 +0/+2
Mortality – Improvement – All Tables:	Generational Improvement Scale – MP-2019	

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. To determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.25% selected by the INPRS Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

## NOTE 7 - BENEFIT PLANS (CONTINUED)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Geometric Basis Long-term Expected Real Rate of Return
Public equity	20.0%	3.6%
Private equity	15.0%	7.3%
Fixed income – Ex inflation-linked	20.0%	1.5%
Fixed income – Inflation-linked	15.0%	-0.3%
Commodities	10.0%	0.8%
Real estate	10.0%	4.2%
Absolute return	5.0%	2.5%
Risk parity	20.0%	4.4%
Leverage offset	-15.0%	-1.4%

The net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the current discount rate of 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%), or one percentage point higher (7.25%) than the current rate:

1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
<u>\$4,008,681</u>	<u>\$1,532,699</u>	<u>\$(532,597)</u>

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At June 30, 2022, the IEDC reported a liability of \$1,532,699 for its proportionate share of the net pension liability. The IEDC's proportionate share of the net pension liability was based on the IEDC's wages as a proportion of total wages for PERF Hybrid. The proportionate share used at June 30, 2021, measurement dates was 0.11648%.

For the year ended June 30, 2022, the IEDC recognized pension income of \$84,298, which includes income from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$132,330. At June 30, 2022, the IEDC reported deferred outflows of resources and deferred inflows of resources related to PERF DB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,423	\$ 30,603
Net differences between projected and actual earnings on pension plan investments	-	1,990,070
Changes of assumptions	770,958	344,273

**NOTE 7 - BENEFIT PLANS (CONTINUED)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in proportion and differences between the IEDC's contributions and proportionate share of contributions	<u>\$ 63,613</u>	<u>\$ 136,830</u>
Total that will be recognized in pension expense based on table below	886,994	2,501,776
Pension contribution subsequent to measurement date	<u>866,134</u>	<u>                    </u>
Total	<u><u>\$1,753,128</u></u>	<u><u>\$2,501,776</u></u>

Deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2022	\$ (463,184)
2023	(378,869)
2024	(203,870)
2025	<u>(568,859)</u>
	<u><u>\$(1,614,782)</u></u>

**NOTE 8 - TAX ABATEMENTS**

The IEDC oversees certain tax abatement programs on behalf of the State. These tax abatements allow the State to forgo tax revenues for an entity, take a specific action to help with economic development or benefits the government or citizens of the State. The State's Annual Comprehensive Financial Report will include the financial information related to these tax abatement programs. See a listing of programs below that the IEDC oversees for the State:

- Economic Development for Growing Economy (EDGE) Credit
- Hoosier Business Investment Credit
- Redevelopment Tax Credit
- Community Revitalization Enhancement District Tax Credit
- Film and Media Tax Credit
- Headquarters Relocation Tax Credit
- Research Expense Credit
- Venture Capital Investment Credit

## NOTE 8 - TAX ABATEMENTS (CONTINUED)

***Economic Development for a Growing Economy (EDGE) Credit:*** The Economic Development for a Growing Economy Credit is created by IC 6-3.1-13. This program was created to foster job creation in Indiana, job retention in Indiana, and to foster employment in Indiana of students who participate in a course of study that includes a cooperative arrangement between an educational institution and an employer for the training of students in high wage, high demand jobs that require an industry certification. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the IEDC. The amount and duration of this tax credit shall be determined by the IEDC. The credit may be stated as a percentage of the incremental income tax withholdings attributable to the applicant's project and may include a fixed dollar limitation. In the case of a credit awarded for a project to create new jobs in Indiana, the credit amount may not exceed the incremental income tax withholdings. However, the credit amount claimed for a taxable year may exceed the taxpayer's state tax liability for the taxable year, in which the excess may, at the discretion of the IEDC, be refunded to the taxpayer. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-13. The State has made no other commitments other than to reduce the applicable taxes as part of this program. In order to receive a tax credit, the taxpayer must commit to the creation or retention of full-time, permanent jobs for Indiana residents at the project location and new capital investment in Indiana.

***Hoosier Business Investment Credit:*** The Hoosier Business Investment Credit is created by IC 6-3.1-26. This program was created to foster job creation and create higher wages in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the IEDC and may not exceed 10% of the taxpayer's qualified investment in a taxable year for qualified investment that is not a logistics investment and 25% of the qualified investment made in a taxable year if the qualified investment is a logistics investment. Qualified investment is defined as the amount of the taxpayer's expenditures in Indiana for the purchase of new telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution equipment; the purchase of new computers and related equipment; costs associated with the modernization of existing telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution facilities; onsite infrastructure improvements; the construction of new telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution facilities; costs associated with retooling existing machinery and equipment; costs associated with the construction of special purpose building and foundations for use in the computer, software, biological sciences, or telecommunications industry; costs associated with the purchase of machinery, equipment or special purpose buildings used to make motion pictures or audio productions; and a logistics investment as further described in IC 6-3.1-26-8.5 that are certified by the IEDC under this chapter as being eligible for the credit. The term does not include property that can be readily moved outside Indiana.

## NOTE 8 - TAX ABATEMENTS (CONTINUED)

In order to award a tax credit under this program, the IEDC must determine the following conditions exist, the applicant's project will raise the total earnings of employees of the applicant in Indiana or substantially enhance the logistics industry by creating new jobs, preserving existing jobs that otherwise would be lost, increasing wages in Indiana, or improving the overall Indiana economy, in the case of a logistics investment being claimed by the applicant; the applicant's project is economically sound and will benefit the people of Indiana by increasing opportunities for employment and strengthening the economy of Indiana; receiving the tax credit is a major factor in the applicant's decision to go forward with the project and not receiving the tax credit will result in the applicant not raising the total earnings of the applicant's employees in Indiana, or other employees in Indiana in the case of a logistics investment being claimed by the applicant; awarding the tax credit will result in an overall positive fiscal impact to the state, as certified by the budget agency using the best available data; the credit is not prohibited by the relocation of jobs from one location in Indiana to another location in Indiana; in the case of a qualified investment that is not being claimed as a logistics investment by the applicant, the average wage that will be paid by the taxpayer to its employees (excluding highly compensated employees) at the location after the credit is given will be at least equal to one hundred fifty percent (150%) of the hourly minimum wage under IC 22-2-2-4 or its equivalent. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-26. The State has made no other commitments other than to reduce the applicable taxes as part of this program. In order to receive a tax credit, the taxpayer must commit to the creation or retention of full-time, permanent jobs for Indiana residents at the project location and new capital investment in Indiana.

**Redevelopment Tax Credit:** The Redevelopment Tax Credit provides an incentive for investment in the redevelopment of vacant and underutilized land and buildings as well as brownfields. This credit, established by IC 6-3.1-34, provides companies and developers an assignable income tax credit for investing in the redevelopment of communities, improving quality of place and building capacity at the local level. Any credit award over \$20 million must include a requirement that a portion of the credit be repaid by the company or developer; however, if the investment is at least \$100 million, the IEDC may exclude a repayment provision. The credit is equal to the amount of qualified investment made by the taxpayer during the taxable year, multiplied by a percentage determined by the IEDC not to exceed 30%.

**Community Revitalization Enhancement District Tax Credit:** The Community Revitalization Enhancement District (CRED) tax credit provides an incentive for investment in community revitalization enhancement districts, established by IC 36-7-13. The credit is established by IC 6-3.1-19. The credit amount is equal to the amount of qualified investment made by the taxpayer during the taxable year multiplied by 25%. The credit may be passed through. The credit is applied against the taxpayer's state or local tax liability and may be carried forward to the immediately following taxable years. At present (2022) there are only four active CREDs throughout the state.

**Film and Media Tax Credit:** Established by IC 6-3.1-36, the Film and Media Tax Credit (FMTC) was created to allow the state of Indiana to invest in qualified media productions, including: a feature length film, including an independent or studio production, or documentary; a television episodic series, program, or feature; a music production; a digital media production that is intended for reasonable commercial exploitation; or any similar production as determined by the corporation. The FMTC offers an income tax credit up to 30% that can be applied to offset certain production expenses. Credit awards are calculated against an applicant's list of qualified expenditures, including IEDC branding in the production, and a demonstrated use of Indiana residents in the production's workforce. The amount of the credit that a taxpayer uses in a particular taxable year may not exceed the tax liability of the taxpayer, however, it may be carried forward over a period of nine taxable years following the first taxable year in which the IEDC awards the credit.

## NOTE 8 - TAX ABATEMENTS (CONTINUED)

**Headquarters Relocation Tax Credit:** The Headquarters Relocation Tax Credit (HQRTC) provides a credit to corporations that relocate their headquarters to Indiana. The credit, established by IC 6-3.1-30, is assessed against the corporation's state tax liability. The HQRTC is not refundable but is assignable and provides a nine year carry forward period. Eligible businesses include those that are engaged in interstate or intrastate commerce, maintain a corporate headquarters at a location outside Indiana, has not previously maintained a headquarters at a location in Indiana, has worldwide revenues of at least \$50 million for the taxable year immediately preceding the businesses' application, and commits to contractually relocating its corporate headquarters to Indiana.

The Small Headquarters Relocation Tax Credit (S-HQRTC) provides a refundable tax credit to small, high-growth businesses that relocates its headquarters or the number of employees that equals 80% of the company's total payroll to Indiana. Eligible businesses also include those that have either received at least \$4 million in venture capital in the 6 months immediately preceding the businesses application for incentive, or closes on at least \$4 million in venture capital no later than 6 months after submitting the business' application for incentives. The credit is assessed against the corporation's state tax liability. The S-HQRTC is established by IC 6-3.1-30.

The credit for these two tax credits is calculated based on the product of: a percentage determined by the IEDC not to exceed 50%, multiplied by the amount of the taxpayer's relocation costs in the taxable year.

**Research Expense Credit:** The Research Expense Credit is created by IC 6-3.1-4. The program was created to incentivize research investment in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The program is administered by the Indiana Department of Revenue (DOR), with the exception of the aerospace technology portion which is administered by the IEDC. The credit may be calculated one of two ways, listed below, as elected by the taxpayer. For Indiana qualified research expense incurred after December 31, 2007, the credit is equal to 15% of the Indiana qualified research expense less the taxpayer's base amount of Indiana qualified research expense, up to \$1 million. For qualified research expense in excess of \$1 million, the credit amount is equal to 10%. For Indiana qualified research expense incurred after December 31, 2009, the taxpayer's research expense tax credit is equal to 10% of the part of the taxpayer's Indiana qualified research expense for the taxable year that exceeds 50% of the taxpayer's average Indiana qualified research expense for the 3 taxable years preceding the taxable year for which the credit is being determined. If the taxpayer did not have Indiana qualified research expense in any 1 of the 3 taxable years preceding the taxable year for which the credit is being determined, the amount of the research expense tax credit is equal to 5% of the taxpayer's Indiana qualified research expense for the taxable year. Indiana qualified research expense is defined as qualified research expense that is incurred for research conducted in Indiana. Qualified research expense means qualified research expense as defined in Section 41(b) of the Internal Revenue Code. The tax credit will be recaptured if the DOR determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-4. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

**NOTE 8 - TAX ABATEMENTS (CONTINUED)**

**Venture Capital Investment Credit:** The Venture Capital Investment Credit is created by IC 6-3.1-24. This credit was created to improve access to capital for fast growing Indiana companies by providing individual and corporate investors an incentive to invest in early-stage firms. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, insurance premiums tax, or state gross retail and use tax liability. The credit must be claimed on the taxpayer's state income tax return or returns filed with the Indiana Department of Revenue. The credit is administered by the IEDC and is equal to 20% of the taxpayer's qualified investment capital provided to the qualified Indiana business or \$1.0 million, whichever is less. Starting on January 1, 2022, the credit will be equal to 25% of the taxpayer's qualified investment capital, up to \$1.0 million for qualified Indiana businesses, or 30% up to \$1.5 million for qualified Indiana businesses that are women- or minority-owned. Qualified Indiana business is defined as an independently owned and operated business that is certified as a qualified Indiana business by the IEDC. Qualified investment capital is defined as debt or equity capital that is provided to a qualified Indiana business. However, the term does not include debt that is provided by a financial institution (as defined in IC 5-13-4-10) after May 15, 2005 and is secured by a valid mortgage, security agreement, or other agreement or document that establishes a collateral or security position for the financial institution that is senior to all collateral or security interests of other taxpayers that provide debt or equity capital to the qualified Indiana business. In order to award a tax credit under this program, the IEDC must certify the taxpayer's proposed investment plan. The proposed investment plan must include the name and address of the taxpayer, the name and address of each proposed recipient of the taxpayer's proposed investment; the amount of the proposed investment; a copy of the certification issued by the IEDC stating the business being invested in is a qualified Indiana business, and any other information required by the IEDC. The IEDC must determine that the proposed investment would qualify for the taxpayer credit under this program, and the amount of proposed investment would not result in the total amount of tax credits certified for the calendar year exceeding \$12.5 million. The total amount of credits that may be approved by the IEDC for a calendar year may not exceed \$12.5 million. Starting on January 1, 2022, the total amount of credits that may be approved by the IEDC for a calendar year may not exceed \$20.0 million, with not more than \$7.5 million set aside for a taxpayer's investment in a qualified Indiana investment fund. A qualified Indiana investment fund is certified by the IEDC and must have a substantial presence in Indiana. The credit is equal to 20% of the taxpayer's qualified investment capital, up to \$5 million. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-24. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

**NOTE 9 - INTERFUND RECEIVABLE AND PAYABLE**

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. To the extent that certain transactions between funds are not paid or received in the current period, net interfund receivable and payable balances are recorded at June 30, 2022, as follows:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
Business promotion and innovation	\$861,447	\$ -
Other funds	<u>-</u>	<u>861,447</u>
	<u>\$861,447</u>	<u>\$861,447</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**SCHEDULE OF THE IEDC'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (UNAUDITED)**

**PUBLIC EMPLOYEES' RETIREMENT FUND  
Last 10 Fiscal Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
IEDC's proportion of the net pension liability	0.11648%	0.11419%	0.11869%	0.11792%	0.10753%	0.08812%	0.08269%	0.92160%
IEDC's proportionate share of the net pension liability	\$ 1,532,699	\$ 3,448,988	\$ 3,922,780	\$ 4,005,796	\$ 4,797,497	\$ 3,999,277	\$ 3,367,883	\$ 2,421,905
IEDC's covered-employee payroll	\$ 6,421,896	\$ 6,164,710	\$ 6,183,991	\$ 6,017,154	\$ 5,334,727	\$ 4,223,182	\$ 3,960,711	\$ 4,499,353
IEDC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.87%	55.95%	63.43%	66.60%	89.93%	94.70%	85.03%	53.83%
Plan fiduciary net position as a percentage of the total pension liability	92.50%	81.40%	80.10%	78.90%	72.70%	71.20%	73.30%	81.10%

\*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2014 for GASB Statement No. 68 purposes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**SCHEDULE OF IEDC CONTRIBUTIONS (UNAUDITED)**

**PUBLIC EMPLOYEES' RETIREMENT FUND  
Last 10 Fiscal Years\***

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 866,134	\$ 675,736	\$ 659,043	\$ 659,921	\$ 659,659	\$ 583,387	\$ 478,865	\$ 466,060	\$ 503,928
Contributions in relation to the contractually required contribution	<u>866,134</u>	<u>675,736</u>	<u>659,043</u>	<u>659,921</u>	<u>659,659</u>	<u>583,387</u>	<u>478,865</u>	<u>466,060</u>	<u>503,928</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
IEDC's covered-employee payroll	\$ 7,840,560	\$ 6,421,896	\$ 6,164,710	\$ 6,183,991	\$ 6,017,154	\$ 5,334,727	\$ 4,223,182	\$ 3,960,711	\$ 4,499,353
Contributions as a percentage of covered-employee payroll	11.05%	10.52%	10.69%	10.67%	10.96%	10.94%	11.34%	11.77%	11.20%

\*The effort and cost to re-create financial statement information for 10 years was not practical.  
Information was prepared prospectively from June 30, 2014 for GASB Statement No. 68 purposes.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
June 30, 2022**

**SCHEDULE OF THE IEDC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)**

**Plan Amendments:** In 2021, House Enrolled Act No. 1001 (HEA 1001) granted a 1% COLA for the Plan effective January 1, 2022.

**Assumption Changes:** In 2021, several assumptions were updated based on an asset-liability study. These assumption changes included decreases in the investment rate of return assumption, inflation assumption, and wage inflation assumption. None of these changes were significant to the IEDC's proportionate share of the net pension liability.

**SCHEDULE OF IEDC'S CONTRIBUTIONS (UNAUDITED)**

**Methods Used in Calculating Contributions:** Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board may update the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. There have been no changes in the percentage of covered payroll used since 2015.

**Trends:** In 2021, HEA 1001 granted a 1% COLA for the Plan beginning January 1, 2022, and no additional postretirement benefit increases for the Plan through June 30, 2023. Additionally in 2021, an asset-liability study was completed resulting in updates to several economic assumptions. These assumption changes included decreases in the inflation rate, discount rate, and salary increase rates.

## **OTHER REPORT**

*Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards*

Board of Directors  
Indiana Economic Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Indiana Economic Development Corporation, a component unit of the State of Indiana, (the IEDC) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the IEDC's basic financial statements, and have issued our report thereon dated December 13, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the IEDC's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the IEDC's internal control.

*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. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IEDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
December 13, 2022

**INDIANA ECONOMIC DEVELOPMENT  
CORPORATION**  
**(A Component Unit of the State of Indiana)**  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND  
INDEPENDENT AUDITOR'S REPORTS

June 30, 2022



**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

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*Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control  
over Compliance Required by the Uniform Guidance*

Board of Directors  
Indiana Economic Development Corporation

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Indiana Economic Development Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Indiana Economic Development Corporation's major federal programs for the year ended June 30, 2022. Indiana Economic Development Corporation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Indiana Economic Development Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Indiana Economic Development Corporation 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Indiana Economic Development Corporation's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to Indiana Economic Development Corporation's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Indiana Economic Development Corporation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Indiana Economic Development Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Indiana Economic Development Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Indiana Economic Development Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Indiana Economic Development Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Indiana Economic Development Corporation's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Indiana Economic Development Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be significant deficiencies a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Indiana Economic Development Corporation's response to the internal control findings over compliance identified in our audit and described in the accompanying schedule of findings and questioned costs. Indiana Economic Development Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indiana Economic Development Corporation, a component unit of the State of Indiana, as of and for the year ended June 30, 2022, and have issued our report thereon dated December 13, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Katy, Sapper & Miller, LLP*

Indianapolis, Indiana  
February 20, 2023

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2022**

	<b>Federal Assistance Listing Number</b>	<b>Pass-through Entity Identifying/ Grant Number</b>	<b>Program or Award Amount</b>	<b>Federal Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>					
2022 Procurement Technical Assistance For Business Firms	12.002	SP4800-22-2-2299	\$ 728,894	\$ 270,837	
2021 Procurement Technical Assistance For Business Firms	12.002	SP4800-20-2-2199	673,970	372,418	
				<u>643,255</u>	
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>					
COVID-19 - 2020 Small Business Development Centers	59.037	SBAHQ-20-C-0040	3,832,867	1,616,377	\$ 826,902
2020 Small Business Development Centers	59.037	SBAHQ-20-B-0040	2,625,984	510,742	
2021 Small Business Development Centers	59.037	SBAHQ-21-B-0054	2,645,679	1,547,882	1,130,149
2022 Small Business Development Centers	59.037	SBAHQ-22-B-0046	2,606,211	440,121	276,202
SBDC Portable Assistance	59.037	SBAHQ-21-B-0066	100,000	6,548	
				<u>4,121,670</u>	<u>2,233,253</u>
2019 State Trade Expansion	59.061	SBAHQ-19-IT-0010	495,000	291,402	
				<u>4,413,072</u>	
<b>U.S. DEPARTMENT OF TREASURY</b>					
<b>Passed through the Indiana State Budget Agency</b>					
COVID-19 - 2020 Coronavirus Relief Fund	21.019	260-COVIDRELIEF 260-COVIDRSBRGP 260-COVIDMFRST	350,700,000	40,281,987	
				<u>\$ 45,338,314</u>	<u>\$ 2,233,253</u>

See accompanying notes to schedule of expenditures of federal awards.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION**  
**(A Component Unit of the State of Indiana)**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Indiana Economic Development Corporation, a component unit of the State of Indiana, (the IEDC) for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the IEDC, it is not intended to and does not present the net assets, changes in net assets, or cash flows of the IEDC.

**Expenditures** reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, or when not applicable the specific federal award agreement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Subrecipients:** The amounts of expenditures to subrecipients represents the actual expenditures incurred by subrecipients and reimbursable by IEDC during the year ended June 30, 2022.

**NOTE 2 - INDIRECT COST RATE**

The IEDC has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2022**

**SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_✓\_\_\_ no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_✓\_\_\_ none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_✓\_\_\_ no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_✓\_\_\_ no
- Significant deficiency(ies) identified? \_\_\_✓\_\_\_ yes \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs  
[unmodified, qualified, adverse, or disclaimer]: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? \_\_\_✓\_\_\_ yes \_\_\_\_\_ no

Identification of major programs:

<b>Assistance Listing Number</b>	<b>Agency</b>	<b>Name of Federal Program</b>
59.037	U.S. Small Business Administration	Small Business Development Centers
21.019	U.S. Department of Treasury	Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and type B programs: \$1,360,149

Auditee qualified as low-risk auditee? \_\_\_✓\_\_\_ yes \_\_\_\_\_ no

**INDIANA ECONOMIC DEVELOPMENT CORPORATION  
(A Component Unit of the State of Indiana)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2022**

**FINANCIAL STATEMENT AUDIT FINDINGS**

None

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2022-001 Small Business Administration – Assistance Listing No. 59.037**

**Significant Deficiency in Internal Control over Compliance and Noncompliance – Reporting,  
*Federal Funding Accountability and Transparency Act***

*Criteria:* 2 CFR 170 Appendix A I(a) requires nonfederal entities to report on a public-facing Office of Management and Budget (OMB)-designated governmentwide website first-tier subawards that equal or exceed \$30,000 in federal funds for a subaward to a non-federal entity.

*Condition and Context:* The Indiana Economic Development Corporation, a component Unit of the State of Indiana (the IEDC), did not complete the required reporting in the criteria noted above due to lack of knowledge that the requirement was applicable to the IEDC. No other noncompliance related to reporting was noted.

*Cause and Effect:* The lack of required reporting noted in the criteria above resulted in noncompliance with the compliance requirement.

*Recommendation:* The IEDC should review if it is necessary to complete any reporting on past due first-tier subawards over \$30,000 to a non-federal entity and respond accordingly. The IEDC should also consider implementing a policy or policies to ensure the entity is aware and compliant with all reporting requirements.

*Views of Responsible Officials and Planned Corrective Action:* The IEDC agrees with the recommendation and plans to have the corrective action implemented by March 31, 2023.



## **CORRECTIVE ACTION PLAN Year Ended June 30, 2022**

Small Business Administration

Indiana Economic Development Corporation, a Component Unit of the State of Indiana (the IEDC) respectively submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP  
800 East 96<sup>th</sup> Street, Suite 500  
Indianapolis, IN 46240

Audit period: Year ended June 30, 2022

The findings from the schedule of findings and questioned costs for the year ended June 30, 2022, are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

### **FINANCIAL STATEMENT FINDINGS**

None

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **2022-001 Small Business Administration – Assistance Listing No. 59.037**

#### **Significant Deficiency in Internal Control over Compliance and Noncompliance – Reporting, *Federal Funding Accountability and Transparency Act***

*Recommendation:* The auditor recommended we review if any past due reports need completed and respond accordingly. The auditor also recommended implementing policies to ensure our awareness and compliance with necessary reporting requirements.

*Views of Responsible Officials and Planned Corrective Action:* The IEDC agrees with the recommendation and plans to have the corrective action implemented by March 31, 2023

The IEDC acknowledges the noncompliance with the Federal Funding Accountability and Transparency Act (FFATA) for fiscal year 2022. It should be noted, that while the IEDC concurs with the finding, the finding does not impact expenditures of the federal award and will be quickly remedied.

The IEDC has the following plan for corrective action and ongoing monitoring to ensure compliance on an ongoing basis:

1. Immediate corrective action is being taken, in that all required reports on open grants for FFATA will be completed on a retroactive basis no later than March 15, 2023.

2. In addition, this reporting is now a required step when a new grant is received and a sub-award is made over the reporting threshold.
3. In order to ensure overall reporting compliance, the IEDC is hiring a qualified outside public accounting firm to advise annually on new reporting requirements related to any of its grant programs. This contract will be in place by March 31, 2023.

If the Small Business Administration has questions regarding this plan, please call David Watkins, Senior Vice President, Entrepreneurship & Small Business at 317.607.9176.

Sincerely yours,

A handwritten signature in black ink that reads "Robert J. Paglia". The signature is written in a cursive, flowing style.

Robert Paglia, Chief Administrative Officer  
Indianapolis Economic Development Corporation



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2022

### FINANCIAL STATEMENT FINDINGS

#### 2021-001 (Repeat Finding of 2020-001)

*Condition:* The IEDC's finance department is primarily responsible for the financial reporting process. The financial records are maintained on a cash basis throughout the year, and the year-end closing process requires financial information to be captured that is only compiled and analyzed annually. This process is substantially completed by one individual within the finance department that was also heavily involved in the accounting and financial reporting for the IEDC's Coronavirus Relief Funds (CRF) in response to the pandemic. The IEDC's internal control environment over financial reporting did not result in timely reconciliations of certain accounts or detect adjustments that were needed to prevent the financial statements from being misstated.

*Recommendation:* The auditor recommended that the IEDC adjust its year-end process and cross-train individuals to ensure that not all of the responsibilities fall on one individual.

*Status:* The IEDC has implemented the auditor's recommendation.