



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B43198

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

January 31, 2014

Board of Directors  
Northeast Indiana Innovation Center, Inc.  
3201 Stellhorn Rd.  
Fort Wayne, IN 46815

We have reviewed the audit report prepared by The Bair CPA Group, Inc., Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Northeast Indiana Innovation Center, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

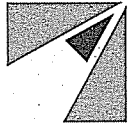
STATE BOARD OF ACCOUNTS

**NORTHEAST INDIANA**  
**INNOVATION CENTER, INC.**  
**FORT WAYNE, INDIANA**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**NORTHEAST INDIANA INNOVATION CENTER, INC.**

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**The Bair CPA Group, Inc.**  
*Certified Public Accountants and Consultants*

**INDEPENDENT AUDITOR'S COMBINED REPORT ON THE  
BASIC FINANCIAL STATEMENTS AND THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO THE BOARD OF DIRECTORS  
NORTHEAST INDIANA INNOVATION CENTER, INC.  
FORT WAYNE, INDIANA

DEAR BOARD MEMBERS:

WE HAVE AUDITED THE ACCOMPANYING STATEMENT OF FINANCIAL POSITION OF NORTHEAST INDIANA INNOVATION CENTER, INC., AS OF DECEMBER 31, 2008 AND THE RELATED STATEMENTS OF ACTIVITIES AND CASH FLOWS FOR THE YEAR THEN ENDED. THESE FINANCIAL STATEMENTS ARE THE RESPONSIBILITY OF THE ORGANIZATION'S MANAGEMENT. OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE FINANCIAL STATEMENTS BASED ON OUR AUDIT. THE PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION HAS BEEN DERIVED FROM THE ORGANIZATION'S 2007 FINANCIAL STATEMENTS, AND IN OUR REPORT DATED MAY 22, 2008 WE EXPRESSED AN UNQUALIFIED OPINION ON THOSE FINANCIAL STATEMENTS.

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. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENT. AN AUDIT INCLUDES EXAMINING, ON A TEST BASIS, EVIDENCE SUPPORTING THE AMOUNTS AND DISCLOSURES IN THE FINANCIAL STATEMENTS. AN AUDIT ALSO INCLUDES ASSESSING THE ACCOUNTING PRINCIPLES USED AND SIGNIFICANT ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL FINANCIAL STATEMENT PRESENTATION. WE BELIEVE THAT OUR AUDIT PROVIDES A REASONABLE BASIS FOR OUR OPINION.

IN OUR OPINION, THE FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF NORTHEAST INDIANA INNOVATION CENTER, INC. AS OF DECEMBER 31, 2008, AND THE CHANGES IN ITS NET ASSETS AND ITS CASH FLOWS FOR THE YEAR THEN ENDED, IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA.

TO THE BOARD OF DIRECTORS  
NORTHEAST INDIANA INNOVATION CENTER, INC.

IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, WE HAVE ALSO ISSUED OUR REPORT DATED MAY 22, 2009, ON OUR CONSIDERATION OF NORTHEAST INDIANA INNOVATION CENTER, INC.'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 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 INTERNAL CONTROL OVER FINANCIAL REPORTING OR ON COMPLIANCE. THAT REPORT IS AN INTEGRAL PART OF AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND SHOULD BE CONSIDERED IN ASSESSING THE RESULTS OF OUR AUDIT.

OUR AUDIT WAS CONDUCTED FOR THE PURPOSE OF FORMING AN OPINION ON THE BASIC FINANCIAL STATEMENTS OF NORTHEAST INDIANA INNOVATION CENTER, INC. TAKEN AS A WHOLE. THE ACCOMPANYING SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IS PRESENTED FOR PURPOSES OF ADDITIONAL ANALYSIS AS REQUIRED BY U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS; AND IS NOT A REQUIRED PART OF THE BASIC FINANCIAL STATEMENTS. SUCH INFORMATION HAS BEEN SUBJECTED TO THE AUDITING PROCEDURES APPLIED IN THE AUDIT OF THE BASIC FINANCIAL STATEMENTS AND, IN OUR OPINION, IS FAIRLY STATED, IN ALL MATERIAL RESPECTS, IN RELATION TO THE BASIC FINANCIAL STATEMENTS TAKEN AS A WHOLE.

*The Bair CPA Group, Inc*

THE BAIR CPA GROUP, INC.

MAY 22, 2009

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

|   | <b><u>DECEMBER 31,</u></b> |                            |
|---|----------------------------|----------------------------|
|   | <b><u>2008</u></b>         | <b><u>2007</u></b>         |
| CASH AND CASH EQUIVALENTS   | \$ 1,346,305               | \$ 488,445                 |
| ACCOUNTS AND GRANTS RECEIVABLE  | 771,998                    | 687,394                    |
| PLEDGES RECEIVABLE  | 795,100                    | 576,500                    |
| INVESTMENTS   | 553,167                    | 624,425                    |
| PREPAID EXPENSES  | 4,759                      | 10,640                     |
| PROPERTY AND EQUIPMENT (NET OF ACCUMULATED DEPRECIATION OF<br>\$1,094,297 AND \$773,774, RESPECTIVELY). | 7,294,497                  | 7,598,765                  |
| CONSTRUCTION IN PROGRESS - EMERGING GROWTH CENTER   | <u>4,881,763</u>           | <u>196,884</u>             |
| <b><u>TOTAL ASSETS</u></b>  | <b><u>\$15,647,589</u></b> | <b><u>\$10,183,053</u></b> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|  |                          |                          |
|--|--------------------------|--------------------------|
| NOTE PAYABLE - LINE OF CREDIT (NOTE 6) | \$ 0                     | \$ 110,000               |
| ACCOUNTS PAYABLE                       | 192,301                  | 156,787                  |
| DEPOSITS                               | 37,255                   | 35,480                   |
| LEASEHOLD MORTGAGE LOAN PAYABLE        | <u>128,972</u>           | <u>307,072</u>           |
| <b><u>TOTAL LIABILITIES</u></b>        | <b><u>\$ 358,528</u></b> | <b><u>\$ 609,339</u></b> |

**NET ASSETS**

|                                |                            |                            |
|--------------------------------|----------------------------|----------------------------|
| UNRESTRICTED                   | \$14,106,564               | \$ 8,707,369               |
| TEMPORARILY RESTRICTED         | <u>1,182,497</u>           | <u>866,345</u>             |
| <b><u>TOTAL NET ASSETS</u></b> | <b><u>\$15,289,061</u></b> | <b><u>\$ 9,573,714</u></b> |

|  |                            |                            |
|--|----------------------------|----------------------------|
| <b><u>TOTAL LIABILITIES AND NET ASSETS</u></b> | <b><u>\$15,647,589</u></b> | <b><u>\$10,183,053</u></b> |
|--|----------------------------|----------------------------|

SEE INDEPENDENT AUDITOR'S REPORT AND NOTES TO FINANCIAL STATEMENTS.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2008**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)**

|   | <b>2008</b>          |                                   |                     | <b>2007</b>         |
|---|----------------------|-----------------------------------|---------------------|---------------------|
|   | <b>UNRESTRICTED</b>  | <b>TEMPORARILY<br/>RESTRICTED</b> | <b>TOTAL</b>        | <b>TOTAL</b>        |
| <b><u>REVENUES, GAINS AND OTHER SUPPORT</u></b>                         |                      |                                   |                     |                     |
| CONTRIBUTIONS   | \$ 2,725             | \$ 601,500                        | \$ 604,225          | \$ 366,167          |
| GOVERNMENT FEE FOR SERVICE  | 175,000              | 0                                 | 175,000             | 225,000             |
| GOVERNMENT GRANTS   | 168,610              | 5,000,000                         | 5,168,610           | 361,375             |
| INCREMENTAL TAX FINANCING FUNDS   | 876,313              | 0                                 | 876,313             | 0                   |
| PROGRAM SERVICE FEES  | 751,880              | 0                                 | 751,880             | 754,186             |
| INVESTMENT INCOME   | 108,942              | 0                                 | 108,942             | 16,297              |
| (DECREASE) INCREASE IN INVESTMENTS                                      | (107,258)            | 0                                 | (107,258)           | 90,626              |
| OTHER INCOME  | 4,998                | 0                                 | 4,998               | 19,126              |
| NET ASSETS RELEASED   |                      |                                   |                     |                     |
| FROM RESTRICTIONS   | 5,285,348            | (5,285,348)                       | 0                   | 0                   |
| <b><u>TOTAL REVENUES, GAINS<br/>AND OTHER SUPPORT</u></b>               | <b>\$ 7,266,558</b>  | <b>\$ 316,152</b>                 | <b>\$ 7,582,710</b> | <b>\$ 1,832,777</b> |
| <b><u>EXPENSES BEFORE DEPRECIATION</u></b>                              |                      |                                   |                     |                     |
| PROGRAM SERVICES  | \$ 1,165,929         | \$ 0                              | \$ 1,165,929        | \$ 1,401,663        |
| MANAGEMENT AND GENERAL  | 292,714              | 0                                 | 292,714             | 258,147             |
| FUNDRAISING   | 88,197               | 0                                 | 88,197              | 81,815              |
| <b><u>TOTAL EXPENSES<br/>BEFORE DEPRECIATION</u></b>                    | <b>\$ 1,546,840</b>  | <b>\$ 0</b>                       | <b>\$ 1,546,840</b> | <b>\$ 1,741,625</b> |
| <b><u>INCREASE (DECREASE) IN NET ASSETS<br/>BEFORE DEPRECIATION</u></b> |                      |                                   |                     |                     |
| BEFORE DEPRECIATION   | \$ 5,719,718         | \$ 316,152                        | \$ 6,035,870        | \$ 91,152           |
| LESS DEPRECIATION EXPENSE   | (320,523)            | 0                                 | (320,523)           | (324,711)           |
| <b><u>INCREASE (DECREASE) IN<br/>NET ASSETS</u></b>                     | <b>\$ 5,399,195</b>  | <b>\$ 316,152</b>                 | <b>\$ 5,715,347</b> | <b>\$ (233,559)</b> |
| <b><u>NET ASSETS - BEGINNING</u></b>                                    | <b>8,707,369</b>     | <b>866,345</b>                    | <b>9,573,714</b>    | <b>9,807,273</b>    |
| <b><u>NET ASSETS - ENDING</u></b>                                       | <b>\$ 14,106,564</b> | <b>\$ 1,182,497</b>               | <b>\$15,289,061</b> | <b>\$ 9,573,714</b> |

SEE INDEPENDENT AUDITOR'S REPORT AND NOTES TO FINANCIAL STATEMENTS.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**

|   | <b>YEAR ENDED</b>           |                            |
|---|-----------------------------|----------------------------|
|   | <b>DECEMBER 31,</b>         |                            |
|   | <u>2008</u>                 | <u>2007</u>                |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |                             |                            |
| INCREASE (DECREASE) IN NET ASSETS   | \$ 5,715,347                | \$ (233,559)               |
| ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES: |                             |                            |
| DEPRECIATION  | 320,523                     | 324,711                    |
| DECREASE (INCREASE) IN INVESTMENTS  | 107,258                     | (90,626)                   |
| INVESTMENT FOR FEES - TRUST BEARER  | (36,000)                    | 0                          |
| (INCREASE) DECREASE IN OPERATING ASSETS:  |                             |                            |
| ACCOUNTS AND GRANTS RECEIVABLE  | (84,604)                    | (330,852)                  |
| PLEDGES RECEIVABLE  | (218,600)                   | 71,600                     |
| PREPAID EXPENSES  | 5,881                       | (5,067)                    |
| INCREASE (DECREASE) IN OPERATING LIABILITIES:   |                             |                            |
| ACCOUNTS PAYABLE  | 35,514                      | 55,959                     |
| DEPOSITS  | <u>1,775</u>                | <u>12,980</u>              |
| <b><u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u></b>                         | <b><u>\$ 5,847,094</u></b>  | <b><u>\$ (194,854)</u></b> |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |                             |                            |
| DISTRIBUTION RECEIVED   | \$ 0                        | \$ 200,736                 |
| PURCHASE OF INVESTMENT  | 0                           | (50,000)                   |
| PURCHASES OF EQUIPMENT  | (16,255)                    | 0                          |
| COSTS INCURRED FOR CONSTRUCTION   | <u>(4,684,879)</u>          | <u>(196,884)</u>           |
| <b><u>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</u></b>                         | <b><u>\$(4,701,134)</u></b> | <b><u>\$ (46,148)</u></b>  |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>  |                             |                            |
| (REPAYMENTS) ADVANCES ON LINE OF CREDIT   | \$ (110,000)                | \$ 110,000                 |
| PAYMENTS ON LEASEHOLD MORTGAGE LOANS  | <u>(178,100)</u>            | <u>(187,500)</u>           |
| <b><u>NET CASH (USED IN) FINANCING ACTIVITIES</u></b>                                     | <b><u>\$ (288,100)</u></b>  | <b><u>\$ (77,500)</u></b>  |
| <b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>                        | <b><u>\$ 857,860</u></b>    | <b><u>\$ (318,502)</u></b> |
| <b><u>CASH AND CASH EQUIVALENTS - BEGINNING</u></b>                                       | <b><u>488,445</u></b>       | <b><u>806,947</u></b>      |
| <b><u>CASH AND CASH EQUIVALENTS - ENDING</u></b>  | <b><u>\$ 1,346,305</u></b>  | <b><u>\$ 488,445</u></b>   |

SEE INDEPENDENT AUDITOR'S REPORT AND NOTES TO FINANCIAL STATEMENTS.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

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

**NATURE OF ACTIVITIES**

NORTHEAST INDIANA INNOVATION CENTER, INC. (THE ORGANIZATION) WAS FORMED UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AS A TAX-EXEMPT CORPORATION, AND HAS BEEN CLASSIFIED AS AN ORGANIZATION THAT IS NOT A PRIVATE FOUNDATION. THE ORGANIZATION IS A BUSINESS INCUBATOR DEDICATED TO GROWING AND DEVELOPING IDEAS AND BUSINESSES THROUGH SHARED OFFICE SERVICES; ORGANIZED NETWORKING; MENTORSHIP; TECHNICAL AND BUSINESS ADVISORY ASSISTANCE; MARKET AND GRANT RESEARCH; BUSINESS PLAN SUPPORT; TRAINING SERVICES; AND CAPITAL ACCESS/FORMATION. BUSINESS OPERATIONS COMMENCED IN APRIL 2000. PROGRAM SERVICES COMMENCED IN AUGUST 2001.

**USE OF ESTIMATES**

THE PREPARATION OF FINANCIAL STATEMENTS IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REQUIRES MANAGEMENT TO MAKE ESTIMATES AND ASSUMPTIONS THAT AFFECT CERTAIN REPORTED AMOUNTS AND DISCLOSURES. ACCORDINGLY, ACTUAL RESULTS COULD DIFFER FROM THOSE ESTIMATES.

**BASIS OF PRESENTATION**

FINANCIAL STATEMENT PRESENTATION FOLLOWS THE RECOMMENDATIONS OF THE FINANCIAL ACCOUNTING STANDARDS BOARD IN ITS STATEMENT OF FINANCIAL ACCOUNTING STANDARDS (SFAS) NO. 117, *FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ORGANIZATIONS*. UNDER SFAS NO. 117, THE ORGANIZATION IS REQUIRED TO REPORT INFORMATION REGARDING ITS FINANCIAL POSITION AND ACTIVITIES ACCORDING TO THREE CLASSES OF NET ASSETS; UNRESTRICTED NET ASSETS, TEMPORARILY RESTRICTED NET ASSETS, AND PERMANENTLY RESTRICTED NET ASSETS. THERE WERE NO PERMANENTLY RESTRICTED NET ASSETS AT DECEMBER 31, 2008 AND 2007.

**PROMISES TO GIVE**

CONTRIBUTIONS ARE RECOGNIZED WHEN THE DONOR MAKES A PROMISE TO GIVE TO THE ORGANIZATION THAT IS, IN SUBSTANCE, UNCONDITIONAL. CONTRIBUTIONS THAT ARE RESTRICTED BY THE DONOR ARE REPORTED AS INCREASES IN UNRESTRICTED NET ASSETS IF THE RESTRICTIONS EXPIRE IN THE FISCAL YEAR IN WHICH THE CONTRIBUTIONS ARE RECOGNIZED. ALL OTHER DONOR-RESTRICTED CONTRIBUTIONS ARE REPORTED AS INCREASES IN TEMPORARILY OR PERMANENTLY RESTRICTED NET ASSETS DEPENDING ON THE NATURE OF THE RESTRICTIONS. WHEN A RESTRICTION EXPIRES, TEMPORARILY RESTRICTED NET ASSETS ARE RECLASSIFIED TO UNRESTRICTED NET ASSETS.

THE ORGANIZATION USES THE ALLOWANCE METHOD TO DETERMINE UNCOLLECTIBLE UNCONDITIONAL PROMISES RECEIVABLE. THE ALLOWANCE IS BASED ON PRIOR YEARS' EXPERIENCE AND MANAGEMENT'S ANALYSIS OF SPECIFIC PROMISES MADE.

**PROPERTY AND EQUIPMENT**

ITEMS WITH A COST OF \$5,000 OR MORE AND A USEFUL LIFE OF TWO OR MORE YEARS ARE CAPITALIZED AS EQUIPMENT AND ARE CARRIED AT COST. EXPENDITURES FOR MAINTENANCE AND REPAIRS ARE EXPENSED WHEN INCURRED.

DEPRECIATION IS COMPUTED BY THE STRAIGHT-LINE METHOD AT RATES ADEQUATE TO RECOVER THE COST OF THE APPLICABLE ASSETS OVER THEIR ESTIMATED USEFUL LIVES. UPON SALE OR RETIREMENT OF EQUIPMENT, THE COST AND RELATED ACCUMULATED DEPRECIATION ARE REMOVED FROM THE RESPECTIVE ACCOUNTS, AND THE RESULTING GAIN OR LOSS IS INCLUDED IN INCOME.

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

DONATIONS OF PROPERTY AND EQUIPMENT ARE RECORDED AS SUPPORT AT THEIR ESTIMATED FAIR VALUE. SUCH DONATIONS ARE REPORTED AS UNRESTRICTED SUPPORT UNLESS THE DONOR HAS RESTRICTED THE DONATED ASSET TO A SPECIFIC PURPOSE. ASSETS DONATED WITH EXPLICIT RESTRICTIONS REGARDING THEIR USE AND CONTRIBUTIONS OF CASH THAT MUST BE USED TO ACQUIRE PROPERTY AND EQUIPMENT ARE REPORTED AS RESTRICTED SUPPORT. ABSENT DONOR STIPULATIONS REGARDING HOW LONG THOSE DONATED ASSETS MUST BE MAINTAINED, THE ORGANIZATION REPORTS EXPIRATIONS OF DONOR RESTRICTIONS WHEN THE DONATED OR ACQUIRED ASSETS ARE PLACED IN SERVICE AS INSTRUCTED BY THE DONOR. THE ORGANIZATION RECLASSIFIES TEMPORARILY RESTRICTED NET ASSETS TO UNRESTRICTED NET ASSETS AT THAT TIME.

**CASH AND CASH EQUIVALENTS**

FOR PURPOSES OF THE STATEMENT OF CASH FLOWS, THE ORGANIZATION CONSIDERS ALL HIGHLY LIQUID INVESTMENTS WITH AN INITIAL MATURITY OF THREE MONTHS OR LESS TO BE CASH EQUIVALENTS.

**MARKETING**

MARKETING COSTS ARE EXPENSED IN THE PERIOD IN WHICH THEY ARE INCURRED.

**COMPARABILITY**

CERTAIN PRIOR YEAR FIGURES MAY HAVE BEEN RECLASSIFIED WHERE NECESSARY TO CONFORM WITH THE FINANCIAL PRESENTATION USED FOR THE CURRENT YEAR.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

**CONCENTRATION OF CREDIT RISK**

THE ORGANIZATION MAINTAINS ITS CASH BALANCES WITH FOUR FINANCIAL INSTITUTIONS LOCATED IN FORT WAYNE, INDIANA. THE CHECKING AND SAVINGS BALANCES ARE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION UP TO \$250,000 AND \$100,000 AT DECEMBER 31, 2008 AND 2007, RESPECTIVELY. AT DECEMBER 31, 2008 AND 2007, THE ORGANIZATION'S UNINSURED CASH BALANCES WERE \$411,669 AND \$194,079, RESPECTIVELY.

**NOTE 3 - PLEDGES RECEIVABLE**

THE PLEDGES RECEIVABLE ARE UNCONDITIONAL PROMISES TO GIVE. UNCOLLECTIBLE PROMISES ARE EXPECTED TO BE INSIGNIFICANT BASED ON PRIOR YEARS' EXPERIENCE AND MANAGEMENT'S ANALYSIS OF SPECIFIC PROMISES MADE. A SUMMARY OF THE PLEDGES RECEIVABLE IS AS FOLLOWS:

PLEDGES RECEIVABLE EXPECTED TO BE COLLECTED IN:

|   | <u>2008</u>       | <u>2007</u>       |
|---|-------------------|-------------------|
| ONE YEAR  | \$ 434,000        | \$ 358,500        |
| SUCCEEDING YEARS  | <u>396,500</u>    | <u>244,500</u>    |
|   | \$ 830,500        | \$ 603,000        |
| DISCOUNT TO NET PRESENT<br>VALUE - THREE PERCENT FOR 2008<br>- SIX PERCENT FOR 2007 | <u>35,400</u>     | <u>26,500</u>     |
| NET PLEDGES RECEIVABLE  | <u>\$ 795,100</u> | <u>\$ 576,500</u> |

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**NOTE 4 - INVESTMENTS**

**CENTERFIELD CAPITAL PARTNERS**

IN 2001, THE ORGANIZATION BECAME A PARTNER IN CENTERFIELD CAPITAL PARTNERS LP, AND USES THE SBA COMPREHENSIVE BASIS OF ACCOUNTING METHOD TO VALUE ITS INVESTMENT. THE TWENTY-FIRST CENTURY SCIENCE AND TECHNOLOGY FUND AWARDED THE ORGANIZATION, A NON-ACCREDITED INVESTOR, \$500,000 FOR INVESTMENT IN CENTERFIELD CAPITAL PARTNERS LP, A REGIONAL VENTURE CAPITAL FUND LOCATED IN INDIANAPOLIS, INDIANA. THIS INVESTMENT FULFILLS A GRANT REQUIREMENT ESTABLISHED BY THE TWENTY-FIRST CENTURY SCIENCE AND TECHNOLOGY FUND. CENTERFIELD CAPITAL PARTNERS LP IS THE STATE'S LARGEST SBIC AND IS FOCUSED ON TRADITIONAL PRIVATE EQUITY INVESTMENTS.

THE INVESTMENT IN THE PARTNERSHIP IS AS FOLLOWS:

|   | <u>DECEMBER 31,</u> |                   |
|---|---------------------|-------------------|
|   | <u>2008</u>         | <u>2007</u>       |
| BEGINNING BALANCE                         | \$ 575,103          | \$ 684,535        |
| OPERATING (LOSS) INCOME                   | <u>(107,648)</u>    | <u>91,304</u>     |
|   | \$ 467,455          | \$ 775,839        |
| DISTRIBUTION RECEIVED                     | <u>0</u>            | <u>200,736</u>    |
| NET EQUITY IN<br>INVESTMENT - END OF YEAR | <u>\$ 467,455</u>   | <u>\$ 575,103</u> |

**TRUSTBEARER LABS, LLC**

IN 2007, THE ORGANIZATION BECAME A PARTNER IN TRUSTBEARER LABS, LLC, AND USES THE COST METHOD TO VALUE ITS INVESTMENT. TRUSTBEARER LABS, LLC IS A GLOBAL IDENTITY AUTHENTICATION TECHNOLOGY COMPANY WITH A MISSION TO IMPROVE HOW PEOPLE CONVEY AND SECURE THEIR PERSONAL BUSINESS INFORMATION AND IDENTITY RESULTING IN TRUSTED ONLINE BUSINESS. THE ORIGINAL INVESTMENT WAS MADE FROM THE ORGANIZATION'S CAPITAL VENTURES' LEAP FUND TO PROVIDE GAP FINANCING.

THE INVESTMENT IS AS FOLLOWS:

|   | <u>DECEMBER 31,</u> |                  |
|---|---------------------|------------------|
|   | <u>2008</u>         | <u>2007</u>      |
| BEGINNING BALANCE                         | \$ 49,322           | \$ 0             |
| OPERATING INCOME (LOSS)                   | <u>390</u>          | <u>(678)</u>     |
|   | \$ 49,712           | \$ (678)         |
| INVESTMENT                                | <u>36,000</u>       | <u>50,000</u>    |
| NET EQUITY IN<br>INVESTMENT - END OF YEAR | <u>\$ 85,712</u>    | <u>\$ 49,322</u> |

**SUMMARY OF INVESTMENTS**

|                              | <u>DECEMBER 31,</u> |                   |
|------------------------------|---------------------|-------------------|
|                              | <u>2008</u>         | <u>2007</u>       |
| CENTERFIELD CAPITAL PARTNERS | \$ 467,455          | \$ 575,103        |
| TRUSTBEARER LABS             | <u>85,712</u>       | <u>49,322</u>     |
| TOTAL                        | <u>\$ 553,167</u>   | <u>\$ 624,425</u> |

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 5 - PROPERTY AND EQUIPMENT**

|                               | <u>DECEMBER 31,</u> |                     |
|-------------------------------|---------------------|---------------------|
|                               | <u>2008</u>         | <u>2007</u>         |
| BUILDING                      | \$ 7,788,547        | \$ 7,788,547        |
| LAB EQUIPMENT                 | 83,237              | 83,237              |
| OFFICE EQUIPMENT              | 508,155             | 500,755             |
| VEHICLES                      | <u>8,855</u>        | <u>0</u>            |
| TOTAL PROPERTY AND EQUIPMENT  | \$ 8,388,794        | \$ 8,372,539        |
| LESS ACCUMULATED DEPRECIATION | <u>1,094,297</u>    | <u>773,774</u>      |
| NET PROPERTY AND EQUIPMENT    | <u>\$ 7,294,497</u> | <u>\$ 7,598,765</u> |

**NOTE 6 - NOTE PAYABLE - LINE OF CREDIT**

IN 2001, THE ORGANIZATION ENTERED INTO A LINE OF CREDIT AGREEMENT WITH A LOCAL BANK FOR OPERATING PURPOSES. THE AMOUNT OF CREDIT AVAILABLE WAS \$200,000 AT DECEMBER 31, 2008. THE INTEREST RATE IS ESTABLISHED AT THE PRIME RATE (3.25 PERCENT AT DECEMBER 31, 2008). THE LINE OF CREDIT AGREEMENT IS A DEMAND NOTE AND IS SECURED BY ALL ASSETS AND PLEDGES RECEIVABLE UNLESS OTHERWISE SUBORDINATED. THE BALANCE DUE WAS \$0 AND \$110,000 AT DECEMBER 31, 2008 AND 2007, RESPECTIVELY. THE BALANCE OF \$110,000 BORROWED IN 2007 FOR THE PAYMENT OF PRE-CONSTRUCTION EXPENSES ASSOCIATED WITH THE EMERGING GROWTH CENTER WAS PAID IN FULL ON JANUARY 24, 2008.

**NOTE 7 - LEASEHOLD MORTGAGE LOAN PAYABLE**

**NEW BANK FINANCING**

THE ORGANIZATION OBTAINED FINANCING ON APRIL 24, 2008 WITH A LOCAL BANK TO COMPLETE THE CONSTRUCTION OF BUILDING TWO ON THE INNOVATION CENTER CAMPUS AND PAY OFF THE BALANCE DUE ON THE LEASEHOLD MORTGAGE PAYABLE OF \$128,072.

THIS LOAN IS A REVOLVING LINE OF CREDIT WITH A MAXIMUM AMOUNT OF \$1,000,000, SECURED BY A LEASEHOLD MORTGAGE ON REAL ESTATE AT 3201 STELLHORN ROAD, FORT WAYNE, INDIANA, AND ALL EQUIPMENT. THE INTEREST RATE IS .75 PERCENT BELOW PRIME AND WAS EFFECTIVELY 2.50 PERCENT AT DECEMBER 31, 2008. THE BALANCE DUE AT DECEMBER 31, 2008 WAS \$128,972 AND MATURES APRIL 24, 2010.

**PREVIOUS FINANCING**

THE ORGANIZATION OBTAINED BANK FINANCING ON MAY 25, 2005 WITH A LOCAL BANK TO COMPLETE THE CONSTRUCTION OF BUILDING ONE.

LOAN PROCEEDS IN THE AMOUNT OF \$795,000 WERE RECEIVED IN JUNE AND JULY 2005, AND SUBSEQUENTLY REPAID IN NOVEMBER 2005 UNDER TERMS OF A SHORT-TERM INSTRUMENT. INTEREST WAS CHARGED AT PRIME LESS ONE-HALF PERCENT AND THE LOAN WAS SECURED BY A LEASEHOLD MORTGAGE ON REAL ESTATE AT 3201 STELLHORN ROAD, FORT WAYNE, INDIANA.

A LONG TERM NOTE PAYABLE IN THE MAXIMUM AMOUNT OF \$718,000 WAS ALSO USED WITH \$685,000 BORROWED WHICH WAS TO MATURE ON JUNE 1, 2009. THE LOAN BORE INTEREST AT PRIME LESS ONE-HALF PERCENT, SIX AND THREE-QUARTER PERCENT AT DECEMBER 31, 2007. THE MORTGAGE LOAN PAYABLE WAS SECURED BY A LEASEHOLD MORTGAGE ON REAL ESTATE AT 3201 STELLHORN ROAD, FORT WAYNE, INDIANA. THE BALANCE AT DECEMBER 31, 2007 OF \$307,072, WAS PAID OFF IN 2008.

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

TEMPORARILY RESTRICTED NET ASSETS IN THE AMOUNT OF \$1,182,497 AND \$866,345 AT DECEMBER 31, 2008 AND 2007 ARE RESTRICTED FOR THE FOLLOWING:

|                            | <u>2008</u>         | <u>2007</u>       |
|----------------------------|---------------------|-------------------|
| BOARD ASSESSMENT           | \$ 1,199            | \$ 19,316         |
| CAPITAL CAMPAIGN           | 787,126             | 377,700           |
| DEVELOPMENT INNOVATION LAB | 0                   | 50,000            |
| ENTREPRENEURSHIP           | 43,000              | 35,000            |
| i CARE PROGRAM             | 100,000             | 100,000           |
| INSPIRE GRANT              | 17,000              | 0                 |
| LEAP FUND                  | <u>234,172</u>      | <u>284,329</u>    |
|                            | <u>\$ 1,182,497</u> | <u>\$ 866,345</u> |

**NOTE 9 - RESTRICTIONS ON ASSETS**

THERE WERE FUNDS RELEASED FROM RESTRICTIONS IN THE AMOUNT OF \$5,285,348 AND \$681,544 IN 2008 AND 2007, RESPECTIVELY, AFTER SATISFACTION OF PROGRAM REQUIREMENTS.

**NOTE 10 - GOVERNMENT FEE FOR SERVICE CONTRACTS AND GRANTS**

THE ORGANIZATION RECORDED INCOME FROM LOCAL, STATE, AND FEDERAL GOVERNMENTS AS FOLLOWS:

|  | <u>2008</u>         | <u>2007</u>       |
|--|---------------------|-------------------|
| <b><u>FEE FOR SERVICE CONTRACTS</u></b>  |                     |                   |
| ALLEN COUNTY COMMISSIONERS   | \$ 75,000           | \$ 100,000        |
| CITY OF FORT WAYNE   | <u>100,000</u>      | <u>125,000</u>    |
|  | <u>\$ 175,000</u>   | <u>\$ 225,000</u> |
| <b><u>GOVERNMENT GRANTS</u></b>  |                     |                   |
| CITY OF FORT WAYNE -<br>RFID TESTING CENTER  | \$ 0                | \$ 2,544          |
| STATE OF INDIANA (PASSED THROUGH<br>INDIANA UNIVERSITY - PURDUE<br>UNIVERSITY, FORT WAYNE) | 5,000,000           | 0                 |
| U.S. SMALL BUSINESS ADMINISTRATION   | <u>168,610</u>      | <u>358,831</u>    |
|  | <u>\$ 5,168,610</u> | <u>\$ 361,375</u> |

**NOTE 11 - CERTIFIED TECHNOLOGY PARK INCREMENTAL TAX FINANCING FUNDS**

IN 2003 THE STATE OF INDIANA DESIGNATED THE NORTHEAST INDIANA INNOVATION CENTER AS THE STATE'S FIFTH CERTIFIED TECHNOLOGY PARK. THIS PROGRAM ENCOURAGES THE LOCATION OF HIGH-TECHNOLOGY BUSINESSES WITHIN AREAS IDENTIFIED BY LOCAL REDEVELOPMENT COMMISSIONS.

IN 2008 THE ORGANIZATION BEGAN RECEIVING INCREMENTAL TAX FINANCING FUNDS FROM THE STATE OF INDIANA, PASSED THROUGH THE FORT WAYNE REDEVELOPMENT COMMISSION. THESE FUNDS ARE A PORTION OF THE TAX REVENUES GENERATED BY TENANTS THAT ARE TO BE REINVESTED INTO THE PARK AND USED FOR IMPROVEMENTS, OPERATION AND MAINTENANCE OF FACILITIES, PAYMENT OF INTEREST AND PRINCIPAL ON BONDS AND OTHER BUSINESS - GENERATING ACTIVITIES. TOTAL REVENUES RECOGNIZED FOR 2008 WAS \$876,313.

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 12 - INVESTMENT INCOME**

INVESTMENT INCOME OF \$108,942 FOR 2008 REPRESENTS INTEREST EARNED ON INTEREST BEARING BANK AND MONEY MARKET ACCOUNTS AND CERTIFICATES OF DEPOSIT. INVESTMENT INCOME OF \$16,297 FOR 2007 WAS FOR INTEREST EARNED ON INTEREST BEARING AND MONEY MARKET ACCOUNTS ONLY.

**NOTE 13 - STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES**

CASH USED IN OPERATING ACTIVITIES INCLUDES INTEREST PAID IN THE AMOUNT OF \$8,343 IN 2008 AND \$28,042 IN 2007.

THE ORGANIZATION ALSO PAID IN \$50,156 FOR FEDERAL AND STATE INCOME TAXES FOR UNRELATED BUSINESS INCOME TAXES IN 2008.

NON-CASH ACTIVITIES FOR 2008 INCLUDE AN INVESTMENT IN TRUST BEARER LABS, LLC OF \$36,000 IN LIEU OF CASH FOR PROGRAM SERVICE FEES. IN ADDITION \$128,072 OF THE LEASEHOLD MORTGAGE LOAN WAS REFINANCED ON APRIL 24, 2008 UTILIZING A NEW CREDIT FACILITY WITH A DIFFERENT BANK. (SEE NOTE 7.)

**NOTE 14 - EMPLOYEE BENEFIT PLAN**

IN 2002, THE ORGANIZATION CONVERTED AN EXISTING SIMPLIFIED EMPLOYEE PENSION TO A SALARY REDUCTION PLAN THAT COVERS ALL ELIGIBLE EMPLOYEES. THE PLAN IS QUALIFIED UNDER SECTION 401-K OF THE INTERNAL REVENUE CODE AND ALLOWS THE EMPLOYEES TO MAKE VOLUNTARY CONTRIBUTIONS TO THE PLAN. IN ADDITION, THE ORGANIZATION MATCHES A PORTION OF THE EMPLOYEES VOLUNTARY CONTRIBUTION AND CAN MAKE AN ANNUAL PROFIT SHARING CONTRIBUTION. THE EMPLOYER-RELATED EMPLOYEE BENEFIT EXPENSE WAS \$34,029 AND \$34,696 FOR 2008 AND 2007, RESPECTIVELY.

**NOTE 15 - OPERATING LEASES**

EFFECTIVE JUNE 30, 2004, THE ORGANIZATION ENTERED INTO A LEASE WITH INDIANA - PURDUE FOUNDATION OF FORT WAYNE FOR THE LAND AT 3201 STELLHORN ROAD, FORT WAYNE, INDIANA. THE TERM OF THE LEASE IS FIFTY YEARS AT VIRTUALLY NO COST TO THE ORGANIZATION. THE ORGANIZATION MAY USE THE LOCATION TO CONSTRUCT, MAINTAIN AND OPERATE A FACILITY CONTAINING A HIGH-TECH BUSINESS INCUBATOR. UPON TERMINATION OF THE LEASE THE FACILITY AND ALL OTHER IMPROVEMENTS ON THE LAND SHALL BECOME THE EXCLUSIVE PROPERTY OF INDIANA - PURDUE FOUNDATION OF FORT WAYNE.

**NOTE 16 - PRIOR YEAR SUMMARIZED INFORMATION**

THE FINANCIAL STATEMENTS INCLUDE CERTAIN PRIOR-YEAR SUMMARIZED COMPARATIVE INFORMATION IN TOTAL BUT NOT BY NET ASSET CLASS. SUCH INFORMATION DOES NOT INCLUDE SUFFICIENT DETAIL TO CONSTITUTE A PRESENTATION IN CONFORMITY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. ACCORDINGLY, SUCH INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE ORGANIZATION'S FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007, FROM WHICH THE SUMMARIZED INFORMATION WAS DERIVED.

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 17 - CONTINGENT LIABILITY**

THE ORGANIZATION HAS EXECUTED AN EMPLOYMENT AGREEMENT WITH ITS PRESIDENT AND CHIEF EXECUTIVE OFFICER FOR A SECOND FOUR YEAR PERIOD COMMENCING OCTOBER 15, 2008. CERTAIN PROVISIONS OF THE AGREEMENT RELATING TO TERMINATION WITHOUT CAUSE, AND CONSTRUCTIVE TERMINATION REQUIRE THE ORGANIZATION TO PROVIDE BASE SALARY AND BENEFITS CONTINUITY TO THE EMPLOYEE FOR A SPECIFIED PERIOD OF TIME.

**NOTE 18 - INNOVATION CENTER CAMPUS - BUILDING ONE FUNDING**

THE FOLLOWING IS A SUMMARY OF THE FINANCIAL GRANTS AND AWARDS TO THE ORGANIZATION TO BE USED FOR THE CONSTRUCTION AND OPERATION OF THE INNOVATION CENTER CAMPUS - BUILDING ONE. CONSTRUCTION WAS COMPLETED ON SEPTEMBER 1, 2005.

| <u>DATE</u>    | <u>GRANTOR</u>  | <u>AMOUNT</u> | <u>USE</u>                                       |
|----------------|---|---------------|--|
| JANUARY 2004   | U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - ECONOMIC DEVELOPMENT INITIATIVE FUNDS (THROUGH THE CITY OF FORT WAYNE) | \$ 795,280    | CONSTRUCTION                                     |
| JANUARY 2004   | U.S. SMALL BUSINESS ADMINISTRATION  | \$ 975,311    | OPERATIONS                                       |
| FEBRUARY 2004  | U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  | \$ 491,782    | EQUIPMENT FOR CENTER                             |
| FEBRUARY 2004  | STATE OF INDIANA (THROUGH CITY OF FORT WAYNE REDEVELOPMENT COMMISSION)  | \$ 450,000    | * CERTIFIED TECHNOLOGY PARK                      |
| SEPTEMBER 2004 | STATE OF INDIANA (THROUGH INDIANA UNIVERSITY - PURDUE UNIVERSITY FORT WAYNE)  | \$ 1,500,000  | START UP EXPENDITURES (QUALITY IMPROVEMENT FUND) |
| SEPTEMBER 2004 | STATE OF INDIANA (THROUGH INDIANA UNIVERSITY - PURDUE UNIVERSITY FORT WAYNE)  | \$ 5,000,000  | CONSTRUCTION                                     |
| OCTOBER 2004   | CITY OF FORT WAYNE  | \$ 1,500,000  | CONSTRUCTION                                     |
| AUGUST 2006    | U.S. SMALL BUSINESS ADMINISTRATION  | \$ 493,614    | OPERATIONS                                       |

SEE NOTE 10 FOR REVENUE RECOGNIZED FROM GOVERNMENT GRANTS IN 2008 AND 2007.

**NORTHEAST INDIANA INNOVATION CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**NOTE 19 - INNOVATION CENTER CAMPUS - BUILDING TWO FUNDING**

THE CONSTRUCTION OF BUILDING TWO ON THE INNOVATION CENTER CAMPUS BEGAN IN NOVEMBER 2007 WITH TOTAL COSTS OF CONSTRUCTION IN PROGRESS OF \$4,881,763 AND \$196,884 AS OF DECEMBER 31, 2008 AND 2007, RESPECTIVELY. THE TOTAL BUILDING TWO COST IS PROJECTED TO BE APPROXIMATELY \$6,000,000 WITH A STATE OF INDIANA GRANT OF \$5,000,000 PROVIDING THE MAJOR FUNDING FOR THE PROJECT. THE GRANT WAS AUTHORIZED BY STATE LEGISLATORS IN DECEMBER 2007 AND WAS PASSED THROUGH INDIANA UNIVERSITY - PURDUE UNIVERSITY, FORT WAYNE. THE \$5,000,000 GRANT WAS RECEIVED BY THE ORGANIZATION IN JANUARY, 2008. THE BUILDING IS EXPECTED TO BE COMPLETED AND OCCUPIED BY JUNE 1, 2009.

**NOTE 20 - RELATED PARTY TRANSACTIONS**

IN 2008 THE ORGANIZATION INCURRED FEES FOR LEGAL SERVICES FROM A FIRM WHO EMPLOYS A MEMBER OF THE BOARD OF DIRECTORS IN THE AMOUNT OF \$13,570. IN ADDITION, THE ORGANIZATION ESTABLISHED FINANCING WITH A LOCAL BANK WHO EMPLOYS A MEMBER OF THE BOARD OF DIRECTORS. (SEE NOTE 7.)

THE ORGANIZATION PURCHASED FLOOR COVERINGS DURING 2007 FROM A COMPANY OWNED BY A BOARD MEMBER OF THE ORGANIZATION. PURCHASES FROM THIS RELATED PARTY FOR THE YEAR ENDED DECEMBER 31, 2007 TOTALED \$7,657. IN ADDITION, THE ORGANIZATION INCURRED FEES FOR LEGAL SERVICES FROM A FIRM WHO EMPLOYS A MEMBER OF THE BOARD OF DIRECTORS IN THE AMOUNT OF \$8,415 FOR 2007.

THERE WERE OTHER NOMINAL 2008 AND 2007 TRANSACTIONS WITH COMPANIES WHO EMPLOY BOARD MEMBERS FOR VARIOUS MISCELLANEOUS SERVICES. ALL OF THESE TRANSACTIONS WERE DONE IN THE NORMAL COURSE OF BUSINESS BY THE ORGANIZATION.



The Bair CPA Group, Inc.  
*Certified Public Accountants and Consultants*

BOARD OF DIRECTORS  
NORTHEAST INDIANA INNOVATION CENTER, INC.  
FORT WAYNE, INDIANA

THE PRIMARY PURPOSE OF OUR AUDIT WAS TO FORMULATE AN OPINION ON THE BASIC FINANCIAL STATEMENTS TAKEN AS A WHOLE. THE ACCOMPANYING ADDITIONAL FINANCIAL INFORMATION, WHILE NOT CONSIDERED NECESSARY FOR A FAIR PRESENTATION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS, IS PRESENTED FOR SUPPLEMENTARY ANALYSIS PURPOSES. THIS SUPPLEMENTARY DATA HAS BEEN SUBJECTED TO THE AUDIT PROCEDURES APPLIED IN THE AUDIT OF THE BASIC FINANCIAL STATEMENTS, AND IN OUR OPINION, IS PRESENTED FAIRLY IN ALL MATERIAL RESPECTS TO THE BASIC FINANCIAL STATEMENTS TAKEN AS A WHOLE.

MAY 22, 2009

*The Bair CPA Group, Inc.*  
THE BAIR CPA GROUP, INC.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**SCHEDULES OF EXPENSES**  
**YEAR ENDED DECEMBER 31, 2008**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)**

|   | <u>2008</u>                |                               |                         | <u>2007</u>                |                            |
|---|----------------------------|-------------------------------|-------------------------|----------------------------|----------------------------|
|   | <u>PROGRAM SERVICES</u>    | <u>MANAGEMENT AND GENERAL</u> | <u>FUNDRAISING</u>      | <u>TOTAL EXPENSES</u>      | <u>TOTAL EXPENSES</u>      |
| <b><u>SALARIES AND RELATED EXPENSES</u></b>                               |                            |                               |                         |                            |                            |
| SALARIES AND WAGES  | \$ 276,711                 | \$ 120,101                    | \$ 70,375               | \$ 467,187                 | \$ 483,439                 |
| EMPLOYEE BENEFITS   | 63,461                     | 25,513                        | 12,392                  | 101,366                    | 97,769                     |
| PAYROLL TAXES   | <u>23,797</u>              | <u>8,436</u>                  | <u>4,200</u>            | <u>36,433</u>              | <u>38,490</u>              |
| <b><u>TOTAL SALARIES AND RELATED EXPENSES</u></b>                         | <b>\$ 363,969</b>          | <b>\$ 154,050</b>             | <b>\$ 86,967</b>        | <b>\$ 604,986</b>          | <b>\$ 619,698</b>          |
| <b><u>OTHER EXPENSES</u></b>  |                            |                               |                         |                            |                            |
| BAD DEBT EXPENSE  | \$ 739                     | \$ 185                        | \$ 0                    | \$ 924                     | \$ 7,085                   |
| CONSULTING FEES   | 9,787                      | 0                             | 0                       | 9,787                      | 11,369                     |
| CONTRACT SERVICES   | 69,993                     | 0                             | 0                       | 69,993                     | 115,525                    |
| DUES AND SUBSCRIPTIONS  | 23,612                     | 5,903                         | 0                       | 29,515                     | 19,773                     |
| EMPLOYEE TRAINING/IMPROVEMENT   | 30,347                     | 7,587                         | 0                       | 37,934                     | 31,588                     |
| INSURANCE   | 15,511                     | 3,878                         | 0                       | 19,389                     | 12,769                     |
| INTEREST  | 6,674                      | 1,669                         | 0                       | 8,343                      | 26,568                     |
| IT MANAGEMENT AND DATA SERVICES (NETWORK/DATA MANAGEMENT/WEB DEVELOPMENT) | 53,607                     | 13,402                        | 0                       | 67,009                     | 66,038                     |
| LEGAL AND ACCOUNTING FEES   | 0                          | 19,539                        | 0                       | 19,539                     | 15,491                     |
| MARKETING   | 69,455                     | 7,600                         | 0                       | 77,055                     | 98,134                     |
| MEETINGS  | 19,981                     | 4,995                         | 0                       | 24,976                     | 24,795                     |
| MISCELLANEOUS   | 18,740                     | 3,496                         | 0                       | 22,236                     | 26,904                     |
| OCCUPANCY   | 267,621                    | 29,736                        | 0                       | 297,357                    | 263,063                    |
| OFFICE SUPPLIES   | 53,678                     | 13,420                        | 0                       | 67,098                     | 72,889                     |
| PAYROLL ADMINISTRATIVE FEES   | 4,838                      | 2,100                         | 1,230                   | 8,168                      | 9,695                      |
| PRINTING AND POSTAGE  | 27,624                     | 6,906                         | 0                       | 34,530                     | 40,572                     |
| REPAIRS AND MAINTENANCE   | 26,229                     | 3,114                         | 0                       | 29,343                     | 32,525                     |
| SCHOLARSHIPS AND SPONSORSHIPS   | 12,379                     | 0                             | 0                       | 12,379                     | 25,421                     |
| SMALL OFFICE EQUIPMENT  | 39,648                     | 8,169                         | 0                       | 47,817                     | 169,120                    |
| TAXES - FEDERAL AND STATE INCOME  | 16,222                     | 0                             | 0                       | 16,222                     | 0                          |
| TELEPHONE   | 12,171                     | 1,352                         | 0                       | 13,523                     | 20,149                     |
| TRAVEL AND ENTERTAINMENT  | <u>23,104</u>              | <u>5,613</u>                  | <u>0</u>                | <u>28,717</u>              | <u>32,454</u>              |
| <b><u>TOTAL EXPENSES</u></b>  | <b><u>\$ 1,165,929</u></b> | <b><u>\$ 292,714</u></b>      | <b><u>\$ 88,197</u></b> | <b><u>\$ 1,546,840</u></b> | <b><u>\$ 1,741,625</u></b> |

SEE INDEPENDENT AUDITOR'S REPORT.

NORTHEAST INDIANA INNOVATION CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2008

| <u>PROGRAM TITLE</u>                           | <u>FEDERAL<br/>CFDA<br/>NUMBER</u> | <u>PROGRAM<br/>AMOUNT</u> | <u>REVENUE<br/>RECOGNIZED</u> | <u>DISBURSEMENTS/<br/>EXPENDITURES</u> | <u>GRANT<br/>RECEIVABLE<br/>AT<br/>END OF YEAR</u> |
|--|------------------------------------|---------------------------|-------------------------------|--|--|
| <u>U.S. SMALL BUSINESS<br/>ADMINISTRATION</u>  |                                    |                           |                               |  |  |
| <u>2006 GRANT</u>                              |                                    |                           |                               |  |  |
| CONGRESSIONAL MANDATED<br>AWARD FOR OPERATIONS | 59.000                             | <u>\$ 493,614</u>         | <u>\$ 168,610</u>             | <u>\$ 168,610</u>                      | <u>\$ 360,472</u>                                  |

SEE ACCOMPANYING NOTES TO THIS SCHEDULE.

**NORTHEAST INDIANA INNOVATION CENTER, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2008**

**NOTE 1- BASIS OF ACCOUNTING**

THE ACCOMPANYING SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IS A SUMMARY OF THE ACTIVITY OF THE FEDERAL AWARDS PROGRAM PRESENTED ON THE ACCRUAL BASIS OF ACCOUNTING, AS CONTEMPLATED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA.

**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**

TO THE BOARD OF DIRECTORS  
NORTHEAST INDIANA INNOVATION CENTER, INC.  
FORT WAYNE, INDIANA

DEAR BOARD MEMBERS:

WE HAVE AUDITED THE FINANCIAL STATEMENT OF NORTHEAST INDIANA INNOVATION CENTER, INC. AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008, AND HAVE ISSUED OUR REPORT THEREON DATED MAY 22, 2009. 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.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

IN PLANNING AND PERFORMING OUR AUDIT, WE CONSIDERED NORTHEAST INDIANA INNOVATION CENTER, INC.'S INTERNAL CONTROL OVER FINANCIAL REPORTING AS A BASIS FOR DESIGNING OUR AUDITING PROCEDURES FOR THE PURPOSE OF EXPRESSING OUR OPINION ON THE FINANCIAL STATEMENTS, BUT NOT FOR THE PURPOSE OF EXPRESSING AN OPINION ON THE EFFECTIVENESS OF NORTHEAST INDIANA INNOVATION CENTER, INC.'S INTERNAL CONTROL OVER FINANCIAL REPORTING. ACCORDINGLY, WE DO NOT EXPRESS AN OPINION ON THE EFFECTIVENESS OF THE ORGANIZATION'S INTERNAL CONTROL OVER FINANCIAL REPORTING.

A CONTROL DEFICIENCY 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 MISSTATEMENTS ON A TIMELY BASIS. A SIGNIFICANT DEFICIENCY IS A CONTROL DEFICIENCY, OR COMBINATION OF CONTROL DEFICIENCIES, THAT ADVERSELY AFFECTS THE ORGANIZATION'S ABILITY TO INITIATE, AUTHORIZE, RECORD, PROCESS, OR REPORT FINANCIAL DATA RELIABLY IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, SUCH THAT THERE IS MORE THAN A REMOTE LIKELIHOOD THAT A MISSTATEMENT OF THE ORGANIZATION'S FINANCIAL STATEMENTS THAT IS MORE THAN INCONSEQUENTIAL WILL NOT BE PREVENTED OR DETECTED BY THE ORGANIZATION'S INTERNAL CONTROL.

A MATERIAL WEAKNESS IS A SIGNIFICANT DEFICIENCY, OR COMBINATION OF SIGNIFICANT DEFICIENCIES, THAT RESULTS IN MORE THAN A REMOTE LIKELIHOOD THAT A MATERIAL MISSTATEMENT OF THE FINANCIAL STATEMENTS WILL NOT BE PREVENTED OR DETECTED BY THE ORGANIZATION'S INTERNAL CONTROL.

OUR CONSIDERATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING WAS FOR THE LIMITED PURPOSE DESCRIBED IN THE FIRST PARAGRAPH OF THIS SECTION AND WOULD NOT NECESSARILY IDENTIFY ALL DEFICIENCIES IN INTERNAL CONTROL THAT MIGHT BE SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES. WE DID NOT IDENTIFY ANY DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING THAT WE CONSIDER TO BE MATERIAL WEAKNESSES, AS DEFINED ABOVE.

TO THE BOARD OF DIRECTORS  
NORTHEAST INDIANA INNOVATION CENTER, INC.

COMPLIANCE AND OTHER MATTERS

AS PART OF OBTAINING REASONABLE ASSURANCE ABOUT WHETHER NORTHEAST INDIANA INNOVATION CENTER, INC.'S FINANCIAL STATEMENTS ARE FREE OF 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 DETERMINATION OF FINANCIAL STATEMENT AMOUNTS. 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*.

WE NOTED CERTAIN OTHER NON-MATERIAL MATTERS THAT WE HAVE REPORTED TO MANAGEMENT OF NORTHEAST INDIANA INNOVATION CENTER, INC. IN A SEPARATE LETTER DATED MAY 26, 2009.

THIS REPORT IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THE EXECUTIVE COMMITTEE, MANAGEMENT, OTHER FUNDING ENTITIES OF THE INNOVATION CENTER AND IS NOT INTENDED TO BE, AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

MAY 22, 2009

THE BAIR CPA GROUP, INC.