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March 20, 2014

Mr. Victor Smith, Secretary of Commerce
Indiana Economic Development Commission
One North Capitol, Suite 700
Indianapolis, IN 46204

Dear Mr. Smith:

We have received the audit report prepared by Katz, Sapper & Miller, LLP Certified Public Accountants, for the period July 1, 2012 to June 30, 2013. Per the auditors' report, the audit was conducted in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Per the auditors' opinion the financial statements included in the report present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Indiana Economic Development Commission as of June 30, 2013, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

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

STATE BOARD OF ACCOUNTS

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
WITH SUPPLEMENTARY AND OTHER INFORMATION

June 30, 2013

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

CONTENTS

Independent Auditors' Report

Board of Directors
Indiana Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, and the Indiana Economic Development Foundation, Inc. (collectively, the IEDC) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the IEDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Katz, Sapper & Miller, LLP
Certified Public Accountants
800 East 96th Street, Suite 500
Indianapolis, IN 46240
Tel 317.580.2000
Web ksmcpa.com
An Affiliate of
KSM Business Services, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the IEDC as of June 30, 2013, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 4 through 9, be presented to supplement the basic financial statements. Such information, 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, 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.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the IEDC's basic financial statements. The schedule of expenditures of federal awards on pages 26 and 27 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. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, 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 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 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
November 4, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2013

As management of the Indiana Economic Development Corporation (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. (Foundation) (together, the IEDC) for the fiscal years ended June 30, 2013 and 2012. Please read it in conjunction with the Independent Auditors' 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 Corporation is the State of Indiana's lead economic development agency. The Corporation is a component unit of the State of Indiana (State) and 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 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 of Indiana. 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 Indiana'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.

The accompanying financial statements of IEDC conform with accounting principles generally accepted in the United States 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.

FINANACIAL HIGHLIGHTS

Key financial highlights for the 2013 fiscal year include the following:

- Total revenues were $51.5 million as compared to total expenditures of $31.4 million.

- The total net position increased by $20.1 million for the fiscal year ended 2013. This was the result of expenses remaining comparable to prior year while revenue increased in operating grants, appropriations and contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include the kinds of statements required by the 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 and liabilities, with the difference between the two 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.

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, 21st Century Research & Technology, Training & Economic Development, and State Small Business Credit Initiative. 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, 2013

FINANCIAL ANALYSIS OF THE IEDC AS A WHOLE

Net Position

The following is condensed from the Statement of Net Position:

	Governmental Activities (Corporation)		Business-type Activities (Foundation)	
	June 30, 2013	**June 30, 2012**	**June 30, 2013**	**June 30, 2012**
Current Assets	$151,716,870	$139,070,843	$ 873,254	$ 998,046
Capital and Noncurrent Assets	35,386,015	31,328,976		
Total Assets	$187,102,885	$170,399,819	$ 873,254	$ 998,046
Current Liabilities	$ 19,318,623	$ 22,730,826	$ 23,166	$ 17,500
Noncurrent Liabilities		103,176		
Total Liabilities	$ 19,318,623	$ 22,834,002	$ 23,166	$ 17,500
Net Investment in Capital Assets	$ 96,976	$ 225,976		
Restricted			$ 316,539	$ 318,750
Unrestricted	167,687,286	147,339,841	533,549	661,796
Total Net Position	$167,784,262	$147,565,817	$ 850,088	$ 980,546

The total net position at June 30 was as follows:

	2013	**2012**
Assets	$187,976,139	$171,397,865
Liabilities	19,341,789	22,851,502
Net Position	$168,634,350	$148,546,363

The IEDC's total net position was $168.6 million at June 30, 2013, compared to total net position of $148.5 million at June 30, 2012.

The primary change in the assets and liabilities above was due to increases in grants and appropriations while expenses have remained fairly consistent with prior year, which caused an increase in the funds held by the State. During the current fiscal year there was also additional convertible note funding issued, which increased the noncurrent assets. Some of this funding was from State Small Business Credit Initiative (SSBCI), which decreased deferred revenue in the SSBCI Fund.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Year Ended June 30, 2013

Change in Net Position

The following is condensed from the Statement of Activities:

Change in Net Position
Years Ended June 30,

	Governmental Activities (Corporation)		Business-type Activities (Foundation)	
	2013	**2012**	**2013**	**2012**
Program Revenues				
Charges for services	$ 160,810	$ 175,298		
Operating grants, appropriations and contributions	49,428,029	46,225,693	$ 175,000	$ 418,900
General Revenues				
Gaming taxes	1,203,255	1,005,017		
Special events			270,808	605,204
Other			7,409	460
Investment earnings	206,733	239,250	1,116	1,128
Total Revenues	50,998,827	47,645,258	454,333	1,025,692
General government	30,780,382	30,180,441		
Travel, meals and entertainment			471,846	686,209
Other			112,945	413,174
Total Expenses	30,780,382	30,180,441	584,791	1,099,383
Change in Net Position	20,218,445	17,464,817	(130,458)	(73,691)
Beginning Net Position	147,565,817	130,101,000	980,546	1,054,237
Ending Net Position	$167,784,262	$147,565,817	$ 850,088	$ 980,546

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

	2013	**2012**
Revenues	$51,453,160	$48,670,950
Expenses	31,365,173	31,279,824
Change in Net Position	$20,087,987	$17,391,126

Increases in revenues are mainly due to increases in grants, appropriations and contributions while expenses have remained fairly consistent with prior year.

CAPITAL ASSETS

By the end of fiscal year 2013, the IEDC had invested $426,833 in capital assets. Current year depreciation on these assets was $174,857.

	2013	2012
Capital assets	$ 426,833	$ 380,976
Less: Accumulated depreciation	(329,857)	(155,000)
Total	$ 96,976	$ 225,976

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013
Depreciable capital assets:				
Furniture and equipment	$215,488			$215,488
Computer software and hardware	145,432	$ 45,857		191,289
Automobiles	20,056			20,056
Total depreciable capital assets	380,976	45,857		426,833
Less: Accumulated depreciation	155,000	174,857		329,857
Total Capital Assets, net	$225,976	$(129,000)	$	$ 96,976

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

STATEMENT OF NET POSITION
June 30, 2013

ASSETS

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
CURRENT ASSETS			
Cash		$ 873,254	$ 873,254
Funds held by State of Indiana	$ 150,701,372		150,701,372
Accounts receivable, net	321,840		321,840
Grants receivable	657,573		657,573
Interest receivable	36,085		36,085
Total Current Assets	151,716,870	873,254	152,590,124
NONCURRENT ASSETS			
Loans receivable	35,289,039		35,289,039
Capital assets, net	96,976		96,976
Total Noncurrent Assets	35,386,015		35,386,015
TOTAL ASSETS	$ 187,102,885	$ 873,254	$ 187,976,139

LIABILITIES AND NET POSITION

	Governmental Activities	Business-Type Activities	Total Activities
CURRENT LIABILITIES			
Accounts payable	$ 2,515,618	$ 23,166	$ 2,538,784
Accrued expenses	344,427		344,427
Deferred revenue	16,222,165		16,222,165
Accrued liability for compensated absences	236,413		236,413
Total Current Liabilities	19,318,623	23,166	19,341,789
Total Liabilities	19,318,623	23,166	19,341,789
NET POSITION			
Net investment in capital assets	96,976		96,976
Restricted		316,539	316,539
Unrestricted	167,687,286	533,549	168,220,835
Total Net Position	167,784,262	850,088	168,634,350
TOTAL LIABILITIES AND NET POSITION	$ 187,102,885	$ 873,254	$ 187,976,139

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General government	$ 30,780,382	$ 160,810	$ 49,428,029	$ 18,808,457		$ 18,808,457
Total Governmental Activities	30,780,382	160,810	49,428,029	18,808,457		18,808,457
BUSINESS-TYPE ACTIVITIES						
Foundation	584,791		454,333		$ (130,458)	(130,458)
Total Business-Type Activities	584,791		454,333		(130,458)	(130,458)
TOTAL PRIMARY GOVERNMENT	$ 31,365,173	$ 160,810	$ 49,882,362	$ 18,808,457	$ (130,458)	$ 18,677,999
	GENERAL REVENUES					
	Gaming taxes			$ 1,203,255		$ 1,203,255
	Investment earnings			206,733		206,733
	Total General Revenues			1,409,988		1,409,988
	CHANGE IN NET POSITION			20,218,445	$ (130,458)	20,087,987
	NET POSITION - BEGINNING OF YEAR			147,565,817	980,546	148,546,363
	NET POSITION - END OF YEAR			$ 167,784,262	$ 850,088	$ 168,634,350

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

ASSETS

	General	21st Century Research & Technology	Training & Economic Development	State Small Business Credit Initiative	Other Governmental Funds	Totals
ASSETS						
Funds held by State of Indiana	$ 1,103,496	$ 49,102,501	$ 46,917,831	$ 16,222,165	$ 37,355,379	$ 150,701,372
Accounts receivable		11,362	8,516		301,962	321,840
Grants receivable					657,573	657,573
Interest receivable			7,467		28,618	36,085
TOTAL ASSETS	$ 1,103,496	$ 49,113,863	$ 46,933,814	$ 16,222,165	$ 38,343,532	$ 151,716,870
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 795,457	$ 565,335	$ 711,742	$ 6,250	$ 436,834	$ 2,515,618
Accrued expenses	189,628	13,064	8,645		133,090	344,427
Deferred revenue				16,222,165		16,222,165
Total Liabilities	985,085	578,399	720,387	16,228,415	569,924	19,082,210
FUND BALANCES						
Assigned	118,411	48,535,464	46,213,427	(6,250)	37,773,608	132,634,660
Total Fund Balances	118,411	48,535,464	46,213,427	(6,250)	37,773,608	132,634,660
TOTAL LIABILITIES AND FUND BALANCES	$ 1,103,496	$ 49,113,863	$ 46,933,814	$ 16,222,165	$ 38,343,532	$ 151,716,870

Total Fund Balances of Governmental Funds	$ 132,634,660
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.	96,976
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	35,289,039
The liability for compensated absences only includes employees who have left active service by June 30, 2013 and are due pending payouts.	(236,413)
Net Position of Governmental Activities	$ 167,784,262

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	21st Century Research & Technology	Training & Economic Development	State Small Business Credit Initiative	Other Governmental Funds	Totals
REVENUES						
Gaming taxes					$ 1,203,255	$ 1,203,255
Current service charges	$ 142				160,668	160,810
Investment income			$ 38,783		167,950	206,733
State appropriation and grants	7,029,169	$ 20,397,857	8,719,392	$ 3,673,835	9,251,801	49,072,054
Other funding					355,975	355,975
Total Revenues	7,029,311	20,397,857	8,758,175	3,673,835	11,139,649	50,998,827
EXPENDITURES						
Current:						
General government	7,132,472	2,948,930	6,105,014	345,774	11,494,672	28,026,862
Capital outlay:						
Capital outlay	45,857					45,857
Total Expenditures	7,178,329	2,948,930	6,105,014	345,774	11,494,672	28,072,719
Excess (Deficit) of Revenues over Expenses	(149,018)	17,448,927	2,653,161	3,328,061	(355,023)	22,926,108
OTHER FINANCING USES						
Loans receivable activity		(2,470,443)		(3,334,311)	(527,909)	(6,332,663)
Total Other Financing Uses		(2,470,443)		(3,334,311)	(527,909)	(6,332,663)
NET CHANGE IN FUND BALANCES	(149,018)	14,978,484	2,653,161	(6,250)	(882,932)	16,593,445
FUND BALANCES - BEGINNING OF YEAR	267,429	33,556,980	43,560,266		38,656,540	116,041,215
FUND BALANCES - END OF YEAR	$ 118,411	$ 48,535,464	$46,213,427	$ (6,250)	$ 37,773,608	$ 132,634,660

Net Change in Fund Balances of Governmental Funds	$ 16,593,445
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(129,000)
Governmental funds do not reflect changes in allowance accounts for non-current assets that are reflected in governmental activities.	(2,365,250)
The issuance of financing to funds consumes current financial resources of governmental funds, while the repayment of the loans provide current financial resources to governmental funds. Neither transaction, however has any effect on net position in the statement of activities.	6,332,663
The liability for compensated absences reported in the statement of net position that does not require the use of current financial resources is not reported as an expenditure in the funds.	(213,413)
Change in Net Position of Governmental Activities	$ 20,218,445

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Foundation
ASSETS	
Current Assets	
Cash	$ 873,254
TOTAL ASSETS	$ 873,254
LIABILITIES	
Current Liabilities	
Accounts payable	$ 23,166
Total Liabilities	23,166
NET POSITION	
Restricted	316,539
Unrestricted	533,549
Total Net Position	850,088
TOTAL LIABILITIES AND NET POSITION	$ 873,254

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Foundation
OPERATING REVENUES	
Contributions	$ 175,000
Investment earnings	1,116
Special events	270,808
Other income	7,409
Total Operating Revenues	454,333
OPERATING EXPENSES	
Travel, meals and entertainment	471,846
Other expense	112,945
Total Operating Expenses	584,791
Operating Loss	(130,458)
CHANGE IN NET POSITION	(130,458)
NET POSITION - BEGINNING OF YEAR	980,546
NET POSITION - END OF YEAR	$ 850,088

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions	$ 175,000
Investment earnings	1,116
Special events	270,808
Other income	7,409
Other operating expenses	(579,125)
Net Cash Used by Operating Activities	(124,792)
NET DECREASE IN CASH	(124,792)
CASH	
Beginning of Year	998,046
End of Year	$ 873,254
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	$(130,458)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in certain liabilities:	
Accounts payable	5,666
Net Cash Used by Operating Activities	$(124,792)

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: By Indiana Code 5-28, the Indiana General Assembly created the 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 of Indiana. 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 Comprehensive Annual 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 IEDC conforms with accounting principles generally accepted in the United States 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.

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 four major governmental funds and the descriptions of these funds are noted below:

General: The primary operating fund for the Corporation that supports the administrative functions of the IEDC.

21st Century Research & Technology: Facilitates the operation of the 21st Century Research & Technology Fund. This 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 this fund is to support the resolution of next stage capital formation issues by co-investing with institutional investors in order to further build innovative, high impact, high growth companies.

Training & Economic Development: Funds the Training 2000 Program, also known as the Skills Enhancement Fund (SEF). The SEF Fund is a tool to encourage companies to invest in their existing workforce and to train new employees. This fund provides reimbursement for eligible training expenses over a two year term and is important for job creation and the continued improvement of the Hoosier workforce skills. Training funds are obligated at the time the corporation makes a preliminary offer. The fund balance $48,535,464 had obligations of $37,500,080 (77.3%) as of June 30, 2013.

State Small Business Credit Initiative: This fund facilitates the implementation of the federal State Small Business Credit Initiative (SSBCI), which was created by the Small Business Jobs Act of 2010 and focuses on providing capital to small businesses.

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.

Interfund activity between funds included in governmental activities is eliminated within the governmental activities column.

Estimates: Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States. 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.

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

Net Position and Fund Balances: Net position is displayed in three components:

- The Net Investment in Capital Assets component consists of property that the IEDC acquired, net of any related debt.
- The Restricted Net Position component represents net position with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in the GASB Codification.
- The Unrestricted Net Position component consists of net position that does not meet the definition of the preceding two components.

Governmental Funds: Fund balances can be displayed in five components:

- Non-spendable fund balance includes amounts not in spendable form.
- Amounts listed in restricted fund balance are subject to constraints imposed by external organizations. For purposes of determining the ending fund balance, restricted funds are considered to be spent first when expenditure occurs for which both restricted and unrestricted amounts are available.
- Committed fund balance amounts are designated by the IEDC's Board resolution to be used for a specific purpose. If expenditure occurs for which committed, assigned or unassigned amounts are available, committed amounts are considered to be spent first, followed by assigned and then unassigned funds.
- Assigned fund balance amounts are available for commitment by the IEDC's Board resolution, to projects.
- Unassigned fund balance is the residual classification for the general fund.

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

Net position of governmental activities of approximately $144,791,000 was reported in the June 30, 2012 Comprehensive Annual Financial Report (CAFR). Beginning of year net position for governmental activities reported in the government wide statement of activities for the year ended June 30, 2013 was approximately $147,566,000. The differences were due to previously issued loans recorded as grants (increase in net position of $2,500,000), grants converted to loans receivable in past years (increase in net position of $2,375,000) and the collectability of loans receivable estimated by management that was known, but not adjusted in previous years (decrease in net position of $2,100,000). The June 30, 2012 CAFR also did not include the Foundation which is reported as business-type activities in the June 30, 2013 government wide financial statements.

Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. There have been no losses in such accounts. Custodial credit risk is the risk that in the event of bank failure, IEDC deposits may not be returned to it. As of June 30, 2013, there are no deposit balances exposed to custodial credit risk as amounts held at each institution do not exceed federally insured limits.

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. Grants and accounts receivable are recorded at net realizable value when earned. Grant revenue is recognized as earned as the eligible expenses are incurred or activities are completed.

Payments from the State of Indiana were $48,381,135 during fiscal year June 30, 2013.

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, 2013.

Loans Receivable are carried at the principal amount outstanding. 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, 2013, the allowance for loan loss was $2,365,250. Management believes that as of June 30, 2013, 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

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.

Subsequent Events: The IEDC has evaluated the financial statements for subsequent events occurring through November 4, 2013, the date the financial statements were available to be issued.

NOTE 2 - RELATED PARTIES

Indiana 21st 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 partner's 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.

NOTE 2 - RELATED PARTIES (CONTINUED)

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 IEDC. The contract is not considered federal funding for the purposes of the Office of Management and Budget Circular A-133 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 3 - LOANS RECEIVABLE

The IEDC has convertible loans receivable from the 21 Fund, 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 ranging from 0% to 8% 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. Notes issued to these companies have maturity dates ranging from May 2014 to December 2018. Generally, principal and interest payments are not allowed on the notes until the maturity date.

Additionally, for any note that becomes impaired, the IEDC will 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. In addition, 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, 2013, the allowance was $2,365,250.

The IAN Fund has a loan agreement in place for available principal of $9,500,000 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. No payments are required until September 30, 2017. At June 30, 2013, the IAN Fund had drawn $3,227,486 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. No payments are required until September 30, 2017. At June 30, 2013, the IHG Fund had drawn $2,606,825 on this note.

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

The ISFH Fund has a loan agreement in place for available principal of $5,500,000 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. No payments are required until September 30, 2017. At June 30, 2013, the ISFH Fund had not yet drawn on this note.

NOTE 4 - CAPITAL ASSETS

Capital assets used in governmental activities for the year ended June 30, 2013, were as follows:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013
Depreciable capital assets:				
Furniture and equipment	$215,488			$215,488
Computer software and hardware	145,432	$ 45,857		191,289
Automobiles	20,056			20,056
Total depreciable capital assets	380,976	45,857		426,833
Less: Accumulated depreciation	155,000	174,857		329,857
Total Capital Assets, net	$225,976	$(129,000)	$	$ 96,976

NOTE 5 - NET POSITION RESTRICTED

Restricted net position at June 30, 2013, consisted of the following:

Conferences and sales trips	$ 143,770
Promote meetings and opportunities in Indiana	94,850
Defense study	53,000
China and United States Training Program	24,919
Total Restricted Net Position	$ 316,539

NOTE 6 - PENSION PLANS

Plan Description

The IEDC is a participating employer in the Indiana Public Retirement System (INPRS). The IEDC contributes to the INPRS, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for units of state and local government in Indiana. The IEDC participates as a component unit of the State. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under the Internal Revenue Code Section 401(a) and is tax exempt.

INPRS is a contributory defined benefit plan that covers substantially all of the IEDC's employees. INPRS retirement benefits vest after 10 years of service. Senate Bill 74 enabled INPRS participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

NOTE 6 - PENSION PLANS (CONTINUED)

Participants who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

In addition, the participants are required to contribute to an annuity savings account. Legislation permits an INPRS employer to make the participant's contributions on behalf of the participants. Participants may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described above. The participant's balance in the annuity savings account may be withdrawn at any time with interest should a participant terminate employment.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

Funding Policy

The IEDC is required to contribute to the Plan at an actuarially determined rate. The current rate is 9.7% (8.6% in prior year) of annual covered payroll. The IEDC contributed 3% of the participant's annual salary to the annuity savings account. The contribution requirements of participants are determined by State statute.

Annual Pension Cost

For the 2013 plan year, the IEDC's annual contribution was $527,959. The INPRS funding policy provides for actuarially determined periodic contributions at rates that change so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the June 30, 2012 actuarial valuation using the entry age normal cost method. The asset valuation method is 4-year smoothing of gains/losses on market value with a 20% corridor. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 6.75% and 7% in 2013 and 2012, respectively per year, compounded annually; (b) projected salary increases based on INPRS experience from 2005 to 2010; and (c) assumed annual postretirement benefit increases of 1.0%. INPRS uses the method of establishing a new gain or loss base each year to amortize the unfunded liability over a 30-year open period.

NOTE 7 - OPERATING LEASES

The IEDC leases office space under non-cancelable leases with terms in excess of one year. The following is a schedule of the future minimum rentals under the leases as of June 30, 2013:

2014	$ 281,118
2015	252,490
2016	254,370
2017	255,588
2018	42,598
Total	$1,086,164

In addition to the minimum lease payments, the IEDC is required to pay a proportional share of operating costs. The aggregate rental expense was $231,840 for the year ended June 30, 2013.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

Independent Auditors' 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

Year Ended June 30, 2013

Board of Directors
Indiana Economic Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States 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, 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, and the Indiana Economic Development Foundation, Inc. (collectively, the IEDC) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the IEDC's basic financial statements, and have issued our report thereon dated November 4, 2013.

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) to determine 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-01 to be a material weakness.

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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 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*.

The IEDC's Response to Findings

The IEDC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The IEDC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 4, 2013

INDIANA ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor	Federal CFDA Number	Amount Passed-Through to Subrecipients	IEDC's Expenditures	Total Federal Expenditures
U.S. DEPARTMENT OF COMMERCE				
Manufacturing Extension Partnership	11.611	$ 671,287		$ 671,287
U.S. SMALL BUSINESS ADMINISTRATION				
Small Business Development Centers	59.037		$ 2,387,787	2,387,787
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 3,059,074

See accompanying notes to schedule of expenditures of federal awards.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Indiana Economic Development Corporation and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Independent Auditors' Report on Compliance For
Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

Year Ended June 30, 2013

Board of Directors
Indiana Economic Development Corporation

Report on Compliance for Each Major Federal Program

We have audited the Indiana Economic Development Corporation's, a component unit of the State of Indiana, and the Indiana Economic Development Foundation, Inc.'s (collectively, the IEDC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the IEDC's major federal programs for the year ended June 30, 2013. The IEDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the IEDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IEDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the IEDC's compliance.

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Opinion on Each Major Federal Program

In our opinion, the IEDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the IEDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the IEDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the IEDC's internal control over compliance.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
November 4, 2013

INDIANA ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

<u>Summary of Auditors' Results</u>

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	✓ yes ___ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ 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 that are not considered to be material weaknesses?	___ yes ✓ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	___ yes ✓ no

Identification of major programs:

CFDA Numbers	Name of Federal Program
11.611	Manufacturing Extension Partnership
59.037	Small Business Development Centers

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	___ yes ✓ no

INDIANA ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013

Financial Statement Findings

2013-01: Loans Receivable Adjustments – Material Weakness in Financial Reporting

Criteria: Loans receivable activity should be communicated and reconciled to appropriately record and maintain accurate financial reporting.

Condition and Context: The IEDC records an asset for loans made to various funds as convertible notes. A third party monitors investments that are made by the funds to various companies. As transactions occur that could affect the valuation of those assets that the IEDC has recorded, the IEDC needs to be aware of the transactions and appropriately record any impact that the transaction has on the asset recorded by the IEDC.

Cause and Effect: There were several grants that were restructured into convertible notes and companies that were dissolved during prior years. The trial balance had not been adjusted for the various transactions that occurred.

Recommendation: We recommend management of the IEDC consider meeting with the third party on a recurring basis throughout the year so that activity can be discussed and appropriate accounting treatment can be determined.

Management Response: Management agrees with this finding and will continue to have discussions with the third party administrator to determine the most effective and efficient way to communicate on a regular basis so that the IEDC has the necessary information for accurate financial reporting. In the past, the IEDC has not received timely information from the third party administrator to make required adjustments to the trial balance.

Major Federal Award Programs Audit Findings and Questioned Costs

None