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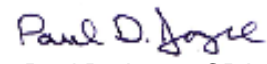
July 11, 2018

Board of Directors
OrthoWorx, Inc.
102 South Buffalo St.
Warsaw, IN 46580

We have reviewed the report prepared by OrthoWorx, Inc. and opined upon by Estep Burkey Simmons, LLC, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition OrthoWorx, Inc. as of June 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Estep Burkey Simmons, LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

OrthoWorx, Inc. and Subsidiary
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

June 30, 2017 and 2016

Independent Auditors' Report

Board of Directors
OrthoWorx, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of OrthoWorx, Inc. and Subsidiary which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OrthoWorx, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Estep Burkey Simmons, LLC

Muncie, Indiana
September 25, 2017

OrthoWorx, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,834,636	\$ 1,200,216
Accounts receivable	93,713	301,927
Prepaid expenses	<u>8,433</u>	<u>64,163</u>
Total current assets	1,936,782	1,566,306
FURNITURE AND EQUIPMENT,		
net of depreciation expense	<u>40,621</u>	<u>52,136</u>
	<u>\$ 1,977,403</u>	<u>\$ 1,618,442</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 60,387	\$ 46,283
Accrued wages and payroll taxes	<u>32,055</u>	<u>90,187</u>
Total current liabilities	<u>92,442</u>	<u>136,470</u>
NET ASSETS		
Unrestricted	1,884,961	1,081,972
Temporarily restricted	<u>-</u>	<u>400,000</u>
	<u>1,884,961</u>	<u>1,481,972</u>
	<u>\$ 1,977,403</u>	<u>\$ 1,618,442</u>

The accompanying notes are an integral part of these statements.

OrthoWorx, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30,

	2017		Total
	Unrestricted	Temporarily Restricted	
Support and revenue:			
Membership dues	\$ 257,000		\$ 257,000
Operating support revenue	1,178,472		1,178,472
AcceLINX funding		\$ 435,000	435,000
Gifts-in-kind	49,500		49,500
Interest income	16,273		16,273
Miscellaneous	32,552		32,552
Total support and revenue	1,533,797	435,000	1,968,797
Net assets released from restriction			
Restrictions satisfied by payments	835,000	(835,000)	
Expenses:			
Program services	1,083,450		1,083,450
Management and general	482,358		482,358
Total expenses	1,565,808		1,565,808
CHANGE IN NET ASSETS	802,989	(400,000)	402,989
Net assets at beginning of year	1,081,972	400,000	1,481,972
Net assets at end of year	\$ 1,884,961	\$ -	\$ 1,884,961

The accompanying notes are an integral part of these statements.

2016		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 416,500		\$ 416,500
1,737,314		1,737,314
	\$ 400,000	400,000
50,100		50,100
5,696		5,696
2,150		2,150
<u>2,211,760</u>	<u>400,000</u>	<u>2,611,760</u>
1,236,542		1,236,542
692,593		692,593
<u>1,929,135</u>		<u>1,929,135</u>
282,625	400,000	682,625
799,347		799,347
<u>\$ 1,081,972</u>	<u>\$ 400,000</u>	<u>\$ 1,481,972</u>

OrthoWorx, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 402,989	\$ 682,625
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	14,519	13,255
(Increase) decrease in assets:		
Accounts receivable	208,214	(31,360)
Prepaid expenses	55,730	(54,205)
Increase (decrease) in liabilities:		
Accounts payable	14,104	32,233
Accrued expenses	<u>(58,132)</u>	<u>7,519</u>
Net cash provided by operating activities	<u>637,424</u>	<u>650,067</u>
Cash flows from investing activities:		
Purchases of equipment	<u>(3,004)</u>	<u>(3,366)</u>
Net cash used in investing activities	<u>(3,004)</u>	<u>(3,366)</u>
Net increase in cash	634,420	646,701
Cash at beginning of year	<u>1,200,216</u>	<u>553,515</u>
Cash at end of year	<u>\$ 1,834,636</u>	<u>\$ 1,200,216</u>
<u>Supplemental Disclosures</u>		
Gifts-in-kind	\$ 49,500	\$ 50,100

The accompanying notes are an integral part of these statements.

OrthoWorx, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30,

	2017			2016		
	Program Services	Management & General	Total	Program Services	Management & General	Total
Salaries and wages	\$ 358,166	\$ 322,034	\$ 680,200	\$ 495,068	\$ 498,780	\$ 993,848
Payroll taxes	20,203	18,165	38,368	25,551	25,742	51,293
Employee benefits	81,917	52,059	133,976	76,981	77,754	154,735
Occupancy	38,081	24,201	62,282	30,122	30,424	60,546
Maintenance and repairs					237	237
Insurance	4,378	2,782	7,160	2,968	2,997	5,965
Professional fees		25,919	25,919		23,325	23,325
Telephone	2,498	1,587	4,085	2,504	2,530	5,034
Postage	99	63	162	77	78	155
Consultants		15,563	15,563		5,736	5,736
Information technology	5,417	3,443	8,860	3,900	3,939	7,839
Conferences and meetings				1,335		1,335
Travel	1,313		1,313	2,444		2,444
Professional development	1,239		1,239	406		406
Office supplies		5,699	5,699		8,405	8,405
Study expenses	1,470		1,470	2,576		2,576
Website	1,574	278	1,852	8,601	1,518	10,119
Dues and subscriptions	15,430		15,430	17,438		17,438
Community programming	231,531		231,531	559,977		559,977
AcceLINX expenses	311,257		311,257			
Advertising		4,795	4,795		4,349	4,349
Property taxes					25	25
Depreciation	8,877	5,642	14,519	6,594	6,661	13,255
Miscellaneous		128	128		93	93
Total expenses	<u>\$ 1,083,450</u>	<u>\$ 482,358</u>	<u>\$ 1,565,808</u>	<u>\$ 1,236,542</u>	<u>\$ 692,593</u>	<u>\$ 1,929,135</u>

The accompanying notes are an integral part of these statements.

OrthoWorx, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

OrthoWorx, Inc. (OrthoWorx) is a not-for-profit corporation established in 2010 and organized under the laws of the State of Indiana. OrthoWorx's primary mission is ensuring The Orthopedic Capital of the World® remains right here in the Warsaw area.

AcceLINX, Inc. (AcceLINX) was incorporated in November 2016. AcceLINX is a musculoskeletal health business accelerator that provides an unmatched level of industry-specific support to select inventors and entrepreneurs looking to enhance their prospects for business success. AcceLINX, Inc. was formed with the expectation of making profits and being able to provide a return on OrthoWorx's investment. The Board of Directors approved the initial investment of \$835,000 into AcceLINX, Inc. as start-up capital. This investment was eliminated in consolidation.

2. Basis of Accounting

The consolidated financial statements of OrthoWorx and its wholly owned subsidiary, AcceLINX (collectively, the Organization) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities. The consolidated financial statements include the accounts of OrthoWorx and its wholly owned subsidiary, AcceLINX. OrthoWorx maintains separate operating statements for its subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

3. Financial Statement Presentation

Net assets are classified based upon the existence or absence of donor-imposed restrictions. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets represent the part of the net assets of OrthoWorx that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of OrthoWorx resulting from contributions and other inflows of assets whose use by OrthoWorx is limited by donor-imposed stipulations that either expire by the passage of time or by actions of OrthoWorx.

Permanently restricted net assets represent the part of the net assets of OrthoWorx resulting from contributions and other inflows of assets whose use by OrthoWorx is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of OrthoWorx.

4. Income Taxes

OrthoWorx is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and similar provisions of the Indiana Code.

5. Accounts Receivable

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

OrthoWorx, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Furniture and Equipment

Furniture and equipment are capitalized at cost and are included within unrestricted net assets. Donated assets are recorded at the fair market value at the date of receipt and are recorded as unrestricted contributions provided they are received without any donor restrictions. Depreciation is computed by the straight-line method over useful lives ranging from three to ten years.

7. Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

8. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires that is, when a stipulated time restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

9. Contributed Materials and Services

During the years ended June 30, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

10. Membership Dues

Organizations that invest in a membership with OrthoWorx may have representation on the board of directors or advisory board. Total membership investments for the years ended June 30, 2017 and 2016 were \$257,000 and \$416,500, respectively.

11. Advertising Costs

Advertising costs are expensed as incurred and included in operating expenses. Advertising expenses totaled \$4,795 and \$4,349 for the years ended June 30, 2017 and 2016, respectively.

12. Uncertain Tax Positions

The Organization recognizes a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Organization has examined this issue and has determined there are no material contingent tax liabilities.

OrthoWorx's federal and state exempt organization tax returns for 2013, 2014, and 2015 are subject to examination by the Internal Revenue Service and the Indiana Department of Revenue. Returns are generally subject to examination for three years after they are filed.

AcceLINX was formed during the current year and will file its initial 2016 return in 2017.

OrthoWorx, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

14. Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed the federally insured limit of \$250,000. At June 30, 2017 and 2016, the Organization exceeded the insured limit by \$1,368,749 and \$1,005,399, respectively.

15. Use of Estimates

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

NOTE B - ACCOUNTS RECEIVABLE

Accounts receivable consist of expenses that have been submitted for reimbursement but have not been received and membership dues that have been invoiced but not paid. Accounts receivable at June 30, 2017 and 2016 totaled \$93,713 and \$301,927 respectively.

NOTE C - FURNITURE AND EQUIPMENT

The amounts of fixed assets, net of depreciation, consist of the following at June 30,

	<u>2017</u>	<u>2016</u>
Office furniture and equipment	\$144,265	\$141,261
Less: accumulated depreciation	<u>(103,644)</u>	<u>(89,125)</u>
	<u>\$40,621</u>	<u>\$52,136</u>

NOTE D - OPERATING LEASE

Beginning in January 2014, OrthoWorx entered into a lease for commercial office space under a three and a half year lease agreement. Monthly lease payments are \$-0- per month. This amount is substantially lower than fair market value. The value of the donated facility for the year ended June 30, 2017 and 2016 is approximately \$49,500 and \$50,100, respectively, and has been recorded as both revenue and expense in the consolidated financial statements. Total lease expense for the years ended June 30, 2017 and 2016 was \$49,500 and \$50,100, respectively.

NOTE E - RESTRICTIONS ON ASSETS

Temporarily restricted net assets consist of a grant funds received designated to support an economic development project in the amount of \$-0- and \$400,000 at June 30, 2017 and 2016, respectively.

OrthoWorx, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE F - GOVERNMENT GRANT

During the year ended June 30, 2016, OrthoWorx received a \$400,000 grant from the Indiana Economic Development Corporation to support the establishment of AcceLINX. During the year ended June 30, 2017, OrthoWorx expended the \$400,000 received from the grant to establish and support the operations of AcceLINX.

NOTE G - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 25, 2017, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017, have been incorporated into these consolidated financial statements herein.