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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

September 28, 2021

Board of Directors
16 Tech Community Corporation
111 Monument Circle, Suite 1800
Indianapolis, IN 46204

We have reviewed the audit report of 16 Tech Community Corporation, which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of 16 Tech Community Corporation, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

16Tech

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2019 and 2018

16 TECH COMMUNITY CORPORATION AND AFFILIATES

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Independent Auditors' Report

Board of Directors
16 Tech Community Corporation and Affiliates

We have audited the accompanying consolidated financial statements of 16 Tech Community Corporation and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 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 and guidelines 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 auditors' 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 auditors consider 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 16 Tech Community Corporation and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2019, 16 Tech Community Corporation and Affiliates adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and related amendments with the same effective date and ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

Katy, Sapper & Miller, LLP

Indianapolis, Indiana
May 19, 2020

16 TECH COMMUNITY CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Cash Equivalents	\$ 35,515,385	\$ 16,175,361
Restricted Cash	1,065,686	-
Promises to Give and Grants Receivable, net	699,990	1,345,796
Prepaid Expenses	24,477	30,459
Real Estate Investments	897,000	897,000
Note Receivable	15,956,800	-
Land	14,771,824	9,231,630
Construction in Progress	<u>27,050,259</u>	<u>5,795,794</u>
TOTAL ASSETS	<u>\$ 95,981,421</u>	<u>\$ 33,476,040</u>

LIABILITIES AND NET ASSETS/EQUITY

LIABILITIES		
Accounts Payable	\$ 4,510,471	\$ 604,228
Accrued Expenses	8,553	-
NMTC Notes Payable	22,710,000	-
Notes Payable, net of Unamortized Deferred Financing Costs	18,199,500	-
Total Liabilities	<u>45,428,524</u>	<u>604,228</u>
NET ASSETS/EQUITY		
Without Donor Restrictions	48,778,230	30,572,371
With Donor Restrictions	1,774,209	2,299,441
Noncontrolling Interest in Members' Equity	458	-
Total Net Assets/Equity	<u>50,552,897</u>	<u>32,871,812</u>
TOTAL LIABILITIES AND NET ASSETS/EQUITY	<u>\$ 95,981,421</u>	<u>\$ 33,476,040</u>

See accompanying notes.

16 TECH COMMUNITY CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions and Noncontrolling Interest	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and Contributions:						
Donated Land, Building and Improvements	\$ 4,460,000	\$ -	\$ 4,460,000	\$ -	\$ -	\$ -
Infrastructure Grants and Contributions	16,538,759	-	16,538,759	16,134,874	-	16,134,874
Operating Grants and Contributions	561,468	-	561,468	3,879,167	1,258,416	5,137,583
Total Grants and Contributions	<u>21,560,227</u>	<u>-</u>	<u>21,560,227</u>	<u>20,014,041</u>	<u>1,258,416</u>	<u>21,272,457</u>
Interest Income	184,666	7,156	191,822	163,051	10,522	173,573
Operating and Other Income	50,764	-	50,764	2,857	-	2,857
Developer Investment Revenue - DINO Credit	17,358,762	-	17,358,762	-	-	-
Net Assets Released from Restrictions	532,388	(532,388)	-	8,800	(8,800)	-
Total Revenue and Support	<u>39,686,807</u>	<u>(525,232)</u>	<u>39,161,575</u>	<u>20,188,749</u>	<u>1,260,138</u>	<u>21,448,887</u>
EXPENSES						
Program Services	20,703,473	-	20,703,473	1,738,705	-	1,738,705
Management and General	594,261	-	594,261	513,152	-	513,152
Fundraising	183,214	-	183,214	100,896	-	100,896
Total Expenses	<u>21,480,948</u>	<u>-</u>	<u>21,480,948</u>	<u>2,352,753</u>	<u>-</u>	<u>2,352,753</u>
INCREASE (DECREASE) IN NET ASSETS/EQUITY	18,205,859	(525,232)	17,680,627	17,835,996	1,260,138	19,096,134
CONTRIBUTIONS FROM MEMBERS	458	-	458	-	-	-
NET ASSETS/EQUITY						
Beginning of Year	<u>30,572,371</u>	<u>2,299,441</u>	<u>32,871,812</u>	<u>12,736,375</u>	<u>1,039,303</u>	<u>13,775,678</u>
End of Year	<u>\$ 48,778,688</u>	<u>\$ 1,774,209</u>	<u>\$ 50,552,897</u>	<u>\$ 30,572,371</u>	<u>\$ 2,299,441</u>	<u>\$ 32,871,812</u>

See accompanying notes.

16 TECH COMMUNITY CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Payroll Taxes and Benefits	\$ 810,252	\$ 196,775	\$ 150,475	\$ 1,157,502
Legal and Professional Fees	1,504,263	122,429	-	1,626,692
Consulting Fees	455,425	-	-	455,425
Marketing and Communications	156,627	-	-	156,627
Insurance	77,781	28,326	-	106,107
Office Expenses	98,507	23,923	18,294	140,724
Occupancy	77,779	18,889	14,445	111,113
Donations	150,000	-	-	150,000
Administration Fee	-	114,000	-	114,000
Qualified Investment Expenses - DINO Credit	17,358,730	-	-	17,358,730
Other	<u>14,109</u>	<u>89,919</u>	<u>-</u>	<u>104,028</u>
TOTAL EXPENSES BY FUNCTION	<u><u>\$ 20,703,473</u></u>	<u><u>\$ 594,261</u></u>	<u><u>\$ 183,214</u></u>	<u><u>\$21,480,948</u></u>

See accompanying notes.

16 TECH COMMUNITY CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Payroll Taxes and Benefits	\$ 417,999	\$ 57,655	\$ 100,896	\$ 576,550
Legal and Professional Fees	341,483	126,993	-	468,476
Consulting Fees	598,216	-	-	598,216
Marketing and Communications	373,083	-	-	373,083
Insurance	-	72,413	-	72,413
Office Expenses	-	32,578	-	32,578
Occupancy	-	91,046	-	91,046
Interest Expense	-	8,252	-	8,252
Administration Fee	-	114,000	-	114,000
Other	7,924	10,215	-	18,139
TOTAL EXPENSES BY FUNCTION	<u>\$ 1,738,705</u>	<u>\$ 513,152</u>	<u>\$ 100,896</u>	<u>\$ 2,352,753</u>

See accompanying notes.

16 TECH COMMUNITY CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Increase in Net Assets	\$ 17,680,627	\$ 19,096,134
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Donated Land, Building and Improvements	(4,460,000)	-
(Increase) Decrease in Certain Assets:		
Promises to Give and Grants Receivable	645,806	(1,345,796)
Prepaid Expenses	5,982	(1,740)
Increase (Decrease) in Certain Liabilities:		
Accounts Payable	(366,847)	459,221
Accrued Expenses	8,553	-
Accrued Interest - Related Party	-	(23,929)
Net Cash Provided by Operating Activities	<u>13,514,121</u>	<u>18,183,890</u>
INVESTING ACTIVITIES		
Purchases of Construction in Progress and Land	(18,061,569)	(6,684,208)
Increase in Note Receivable	(15,956,800)	-
Net Cash Used by Investing Activities	<u>(34,018,369)</u>	<u>(6,684,208)</u>
FINANCING ACTIVITIES		
Contributions from Members	458	-
Borrowings on NMTC Notes Payable	22,710,000	-
Borrowings on Notes Payable	18,300,000	-
Deferred Financing Costs Incurred	(100,500)	-
Increase in Note Payable - Related Party	-	(413,163)
Net Cash Provided (Used) by Financing Activities	<u>40,909,958</u>	<u>(413,163)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	20,405,710	11,086,519
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of Year	<u>16,175,361</u>	<u>5,088,842</u>
End of Year	<u>\$ 36,581,071</u>	<u>\$ 16,175,361</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 35,515,385	\$ 16,175,361
Restricted Cash	<u>1,065,686</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	<u>\$ 36,581,071</u>	<u>\$ 16,175,361</u>
SUPPLEMENTAL DISCLOSURES		
Noncash Investing Activities:		
Land Disposed as Equity Investment in Indy Innovations 1, LLC	\$ -	\$ 897,000
Construction in Progress and Land Purchased through Accounts Payable	4,273,090	-
Donated Land, Building and Improvements	4,460,000	-

See accompanying notes.

16 TECH COMMUNITY CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: 16 Tech Community Corporation (16 Tech) is an Indiana non-profit corporation and a Type 1 supporting organization that is exempt from federal taxation through Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code (IRC). 16 Tech was formed in September 2015 to deliver a new approach to economic growth and innovation in Indianapolis. Using a “place-making” strategy, 16 Tech is developing an innovation district (the “Innovation District”) designed to foster development, job opportunities, and a new vitality in an underserved area of Indianapolis’ urban core. The Innovation District is a 50-acre zone of economic activity designed to facilitate collaboration and innovation among Indiana’s advanced industries and leading entrepreneurs. The co-location of these industries, along with university resources, research facilities, and wrap-around quality-of-life services, supports the economic revitalization of downtown and is expected to have a positive impact on the larger region.

16 Tech was formed with the intention:

- (a) To foster and enhance economic development; talent attraction, development and retention; and entrepreneurial growth in the City of Indianapolis (the City);
- (b) To promote, encourage and assist in the development of a knowledge community and related technology park that will attract and retain new employers and related jobs to the City;
- (c) To foster and support scientific research and related technology transfer;
- (d) To serve as a multi-disciplinary health and wellness hub for the community, employers and the individuals that live and work within the Innovation District;
- (e) To promote, further and support the efforts of the Supported Organizations (as defined below) in their strategic and coordinated efforts to create a downtown technology district that will revitalize the surrounding community, and will attract employers, including but not limited to life science, information technology and other technology-intensive companies, and increase the visibility and leadership of the City nationally and abroad; and
- (f) To create, further or support educational and workforce programs that strengthen the Innovation District and surrounding community.

16 Tech is operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the Supported Organizations. 16 Tech’s Supported Organizations are Indiana University, Indiana University Health, Inc., Indiana Biosciences Research Institute, Inc. (IBRI), The Health and Hospital Corporation of Marion County, Central Indiana Corporate Partnership, Inc. (CICP), Indiana Economic Development Corporation (IEDC), Citizen’s Energy Group (CEG) and the City.

16 Tech programs and activities focus on operations, public infrastructure development and community revitalization.

16 Tech Operating Activities – 16 Tech has secured funding from the City, philanthropic organizations, and individuals to support the development of the Innovation District, community revitalization efforts, and operating expenses. 16 Tech has completed the acquisition of land for all of phase one development directly or through options. In addition, 16 Tech has developed key relationships with neighborhood organizations and leaders, who will help to inform community revitalization activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Infrastructure Development Activities – 16 Tech continues the infrastructure phase of the Innovation District. Contracts have been awarded for engineering services, utility work, and construction work. These projects continued in 2019. See Note 10.

Community Revitalization Activities – The City has provided \$1,023,182, including interest earned, in seed funding for the Community Investment Fund (CIF), which will be used to provide education and workforce development training programs for residents of neighborhoods adjacent to the Innovation District. The first round of grants are scheduled to be disbursed in 2020.

Principles of Consolidation: The consolidated financial statements include the accounts of 16 Tech and the following entities:

16 Tech Developer, LLC (Developer) was organized in May 2018 and is a wholly-owned subsidiary of 16 Tech, created to further the charitable purpose of 16 Tech by operating as a developer involved in the Innovation District as it relates to all development activities, including the US Treasury Department's New Market Tax Credit Program (NMTC Program). See Note 4.

16 Tech Leveraged Lender, LLC (Leveraged Lender) was organized in November 2019 and is a partially owned subsidiary of Developer, created to operate as a leveraged lender related to the NMTC Program. See Note 4.

16 Tech Sub-Tenant, LLC (Sub-Tenant) was organized in November 2019 and is a wholly-owned subsidiary of 16 Tech, created to further the charitable purpose of 16 Tech, by operating as a sub-tenant in the NMTC Program. See Note 4.

Innovation Hub Building Holding Corporation Inc. (IHBHC) was organized in November 2019 and is an affiliate of 16 Tech that was established to raise, hold and administer funds for the benefit of 16 Tech as it relates to the Innovation District development. IHBHC met the requirements to be a Qualified Active Low-Income Community Business (QALICB) under the NMTC Program. The Board of Directors of 16 Tech appoints directors to the Board of Directors of IHBHC.

The entities are collectively referred to as 16 Tech. All intra-entity accounts and transactions have been eliminated in consolidation.

New Accounting Pronouncements: 16 Tech adopted the following new accounting pronouncements on January 1, 2019.

- **Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606)** and the related amendments with the same effective date (together, ASC 606). ASC 606 was adopted as prescribed by the Financial Accounting Standards Board (FASB). ASC 606 was adopted using the modified retrospective method of adoption. The core principle of ASC 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASC 606 did not have a significant impact on 16 Tech's revenue recognition, financial position, results of operations or cash flows. Therefore, no cumulative-effect adjustment to net assets/equity as of January 1, 2019 was required upon adoption.
- **ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU No. 2016-18)**. ASU No. 2016-18 was adopted as prescribed by the FASB using a retrospective adoption methodology. ASU No. 2016-18 requires that a statement of cash flows explain the change during the year in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. There were no adjustments to the 2018 consolidated statement of cash flows as a result of the adoption of ASU No. 2016-18.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require 16 Tech to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of 16 Tech's management and Board of Directors.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. All of 16 Tech's donor restrictions are temporary in nature; those restrictions will be met by actions of 16 Tech or by the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts associated with the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents consists of cash in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less. 16 Tech maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. 16 Tech has not experienced any losses from its bank accounts.

Restricted Cash consists of accounts required to be maintained under its long-term debt agreement. Funds within the account may only cover fees and expenses as allowed under the agreement.

Promises to Give and Grants Receivable: Unconditional promises to give and grants receivable expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in grants and contributions in the consolidated statements of activities, as appropriate. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Promises to give and grants receivable are reviewed for collectability and an allowance for doubtful accounts is recorded, if necessary, based on management's judgement and analysis of the creditworthiness of the donors and grantors, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary at December 31, 2019 and 2018.

Real Estate Investments represents the 14.86% equity interest in Indy Innovations 1, LLC. The investment is accounted for using the equity method.

Construction in Progress represents costs incurred or provided by donors on the construction of assets that have not been completed or placed in service. At December 31, 2019 and 2018, construction in progress of \$27,050,259 and \$5,795,794, respectively, was recorded and consisted primarily of engineering design, construction, construction inspection, and related costs associated with public infrastructure including roads, utilities, and buildings within the Innovation District. Costs identified as having perpetual value to the created infrastructure have been identified for capitalization, while other costs have been expensed as infrastructure planning and development expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions are recognized as revenue and support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue and support until the conditions are substantially met.

In-kind Contributions: Contributions of land, construction in progress and buildings are recognized at estimated fair value when received. No other in-kind contributions were received in 2019 or 2018.

Infrastructure Grants - City of Indianapolis are classified as exchange transactions, which are reciprocal transfers between two entities in which goods and services of equal value are exchanged and are not recognized until services are performed or allowable expenditures are incurred as specified in the contracts. See Note 10.

16 Tech receives a significant amount of financial assistance from government grants and contracts. Grants and contracts normally provide for the recovery of direct and indirect costs. Entitlement to the recovery of the direct and related indirect costs is conditional upon compliance with the terms and conditions of the grant agreements and with applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance reviews and audits by the grantors. Management believes an adverse material outcome from those reviews and audits is unlikely.

Developer Investment Revenue - DINO Credit represents amounts earned related to an Industrial Recovery Tax Credit Agreement (DINO Credit) and are recognized as revenue upon 16 Tech incurring corresponding qualifying expenses, as defined in the agreement. The qualifying expenses are presented as Qualified Investment Expenses - DINO Credit in the consolidated statements of functional expenses.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on time spent (including personnel expenses and other expenses). Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of 16 Tech.

Income Taxes: 16 Tech Community Corporation is exempt from federal income taxes under Section 501(c)(3) of the IRC, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded from the IRC. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. There was no unrelated business income tax for 2019 and 2018.

IHBHC is exempt from federal income taxes under Section 501(c)(2) of the IRC, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded from the IRC. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. There was no unrelated business income tax for 2019.

Developer and Sub-Tenant are single member LLCs and are treated as disregarded entities for income tax purposes.

Leverage Lender is treated as a partnership for income tax purposes. The income or loss is allocated to the individual members based on their ownership percentage. Consequently, no provision or liability for income taxes has been included in the consolidated financial statements for Leverage Lender.

16 Tech Community Corporation, Leverage Lender, and IHBHC file U.S. federal and Indiana information tax returns. 16 Tech Community Corporation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2016. Leverage Lender and IHBHC are subject to U.S. federal and state income tax examination for all years since their inception in 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications: Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the presentation of the 2019 consolidated financial statements.

Subsequent Events: Management has evaluated the consolidated financial statements for subsequent events occurring through May 19, 2020, the date the consolidated financial statements were available to be issued. See Note 11.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

16 Tech's financial assets available for general expenditure within one year of December 31, 2019 and 2018 were as follows:

	2019	2018
Cash and cash equivalents	\$35,515,385	\$16,175,361
Restricted cash	1,065,686	
Promises to give and grants receivable, net	699,990	1,345,796
Real estate investments	897,000	897,000
Note receivable	<u>15,956,800</u>	
Total Financial Assets	<u>54,134,861</u>	<u>18,418,157</u>
Funds restricted by lender	(1,065,686)	
Non-liquid equity investment	(897,000)	(897,000)
Note receivable - long-term	(15,956,800)	
Donor-imposed restrictions:		
Funds subject to time restrictions	(726,028)	(1,258,416)
Funds subject to purpose restrictions	<u>(1,048,181)</u>	<u>(1,041,025)</u>
Total Financial Assets Available Within One Year	<u>\$34,441,166</u>	<u>\$15,221,716</u>

16 Tech has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, 16 Tech invests cash in excess of daily requirements in conservative, short-term investments such as money market fund shares. 16 Tech regularly monitors liquidity required to meet its operating needs and other contractual commitments, while concurrently striving to maximize the investment of its available funds and preserving capital.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional promises to give and grants receivable were estimated to be collected as follows as of December 31, 2019 and 2018:

	2019	2018
Within one year	\$546,028	\$ 519,046
In one to five years	<u>180,000</u>	<u>856,167</u>
	726,028	1,375,213
Unamortized discounts	<u>(26,038)</u>	<u>(29,417)</u>
Total Promises to Give and Grants Receivable, net	<u>\$699,990</u>	<u>\$1,345,796</u>

Promises to give are discounted at rates ranging from 2.5% to 2.6% as of December 31, 2019 and 2.3% to 2.6% at December 31, 2018. See Note 6 for restrictions on promises to give and grants receivable.

NOTE 4 - NEW MARKET TAX CREDIT NOTE RECEIVABLE AND NOTES PAYABLE

In 2019, 16 Tech participated in the US Treasury Department's New Market Tax Credit Program (NMTC Program), with its tax implications regulated and governed by Internal Revenue Code Section 45D. The program allowed 16 Tech to fund construction costs of the 16 Tech Innovation Building. Pursuant to the NMTC Program, IHBHC (the NMTC Borrower) met the requirements to be a Qualified Active Low-Income Community Business (QALICB). As a QALICB, the NMTC Borrower received qualified low-income community investment loans from qualified sophisticated investors at favored interest rates (the NMTC/Notes Payable). The NMTC Program allows the qualified investors to receive tax credits as a result of their lending participation to the NMTC Borrower. The NMTC Program requires that a subsidiary of 16 Tech, Leveraged Lender (the NMTC Lender), lend a portion of the funds to be borrowed to the qualified investor (the Leverage Loan), and affiliates of the investor in turn includes those funds in the total amount loaned to the NMTC Borrower.

Each NMTC Loan was executed through the NMTC Borrower and issuance of five promissory notes payable (the NMI Qualified Low-Income Community Investment (QLICI) Loan, UACD QLICI Loan A, UACD QLICI Loan B, Indy QLICI Loan A, and Indy QLICI Loan B), all of which carry an interest rate of 2.57% and have an initial maturity of December 31, 2054. Payments of interest only are required to be made on a quarterly basis, partially in arrears and partially in advance on the first day of each quarter beginning on March 2020.

As described above, in connection with each of the NMTC Notes Payable, the NMTC Lender entered into the Leverage Loan note receivable agreement with an affiliate of the qualified investor/lenders. Pursuant to the agreements, the NMTC Lenders receive quarterly interest only payments through March 10, 2027, at which time a one-time payment of \$7,300,000 of principal is due, which is followed by quarterly interest only payments through maturity at which time the remaining outstanding principal and accrued interest is due. The Leverage Loan carries an interest rate of 2.82% and has an initial maturity date of December 31, 2047. 16 Tech separately presents the Leverage Loan note receivable balance in Notes Receivable on the consolidated statements of financial position.

16 Tech accounts for the Leverage Loan and NMTC notes payable on a gross basis within the consolidated statements of financial position and the related interest income and expense in the consolidated statements of activities, because a right of set-off, as described in ASC 210-20, *Balance Sheet – Offsetting*, does not exist during the terms of the outstanding notes. At maturity, or early payoff, the parties may choose to set-off the balances in order to cancel the notes, rather than settle them in cash.

As part of this financing agreement, 16 Tech entered into a put and call agreement to take place at the end of the seven-year tax credit period. Under the agreements, the NMTC Investor can exercise a put option to sell all interest in the investment fund to 16 Tech for \$1,000. If the NMTC Investor does not exercise the put option, then the agreement allows 16 Tech to exercise a call option to purchase the interest in the investment fund at an appraised fair value.

A summary of 16 Tech's NMTC note receivable and notes payable included in the consolidated statements of financial position is as follows as of December 31, 2019:

Notes Receivable	<u>\$ 15,956,800</u>
NMI QLICI Loan	(7,680,000)
UACD QLICI Loan A	(5,194,724)
UACD QLICI Loan B	(2,155,276)
INDY QLICI Loan A	(5,381,038)
INDY QLICI Loan B	<u>(2,298,962)</u>
NMTC Notes Payable	<u>(22,710,000)</u>
Net Amount Borrowed Under the NMTC Program	<u>\$ (6,753,200)</u>

NOTE 5 - NOTES PAYABLE

Notes payable consisted of the following at December 31, 2019:

Note payable to commercial lender in quarterly interest only payments through maturity on December 15, 2020, at which time all outstanding principal and accrued interest is due. Interest is computed at 2.5% plus the Index, which is subject to change (2.5% at December 31, 2019). Secured by the assignment of industrial recovery tax credit proceeds. \$11,000,000

Notes payable in quarterly interest only payments through maturity on March 15, 2027, at which time all outstanding principal and accrued interest is due. Interest is computed at one month LIBOR (1.79% at December 31, 2019). Secured by substantially all of the assets of 16 Tech. 7,300,000

Less: Unamortized deferred financing costs 18,300,000
(100,500)

Total Long-term Debt, net \$18,199,500

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2019 and 2018:

	2019	2018
Subject to Expenditures for Specified Purpose:		
Community Revitalization activities	\$ 25,000	\$ 25,000
Innovation District infrastructure development activities	1,023,181	1,016,025
Subject to the Passage of Time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>726,028</u>	<u>1,258,416</u>
Total Net Assets with Donor Restrictions	<u>\$1,774,209</u>	<u>\$2,299,441</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Promises to give that are not restricted by donors, but which were unavailable for expenditure until due	\$532,388	
Community Revitalization activities	<u> </u>	<u>\$8,800</u>
Total Net Assets Released from Restrictions	<u>\$532,388</u>	<u>\$8,800</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

16 Tech recognized contributions of \$190,000 from members of its Board of Directors 2018. 16 Tech has a management agreement with CICP to provide certain management and accounting functions. Expenses related to this agreement were \$114,000 in 2019 and 2018. The management agreement expense was included in accounts payable at December 31, 2019.

NOTE 8 - CONCENTRATIONS OF FUNDING

Contributions from Health & Hospital Corporation and from the City of Indianapolis through TIF Bond proceeds, provided 12% and 77%, respectively, of total revenue and support for the year ended December 31, 2019. Grant funding from Lilly Endowment Inc. provided 80% of total revenue and support for the year ended December 31, 2018.

Promises to give and grants receivable due from five donors accounted for 77% and 66% of total promises to give and grants receivable at December 31, 2019 and 2018, respectively.

NOTE 9 - STATE AND LOCAL GOVERNMENT GRANTS

The following is a summary of 16 Tech's state and local government grant expenditures for the year ended December 31, 2018:

	2018
Indiana University	\$25,000
Indiana University School of Medicine	<u>25,000</u>
Total	<u>\$50,000</u>

There were no state and local government grant expenditures for the year ended December 31, 2019

NOTE 10 - COMMITMENTS AND CONTINGENCIES

City of Indianapolis Project Agreement

In November 2015, the Indianapolis' City County Council approved \$75 million in Economic Development Tax Increment Revenue Bonds to enable the infrastructure improvements of the Innovation District and \$3 million to establish the 16 Tech Community Investment Fund. Of the approved \$75 million financing, \$55.8 million was budgeted for design and construction of infrastructure and the remainder is available to cover costs of issuance and capitalized interest. On December 31, 2015, 16 Tech signed a project agreement (the Agreement) with the City's Local Public Improvement Bond Bank, which defined the terms of 16 Tech's access to and use of the City funds including an initial \$5.2 million of funding to 16 Tech for legal expenses and the initial cost of design work for the infrastructure. In 2019, 16 Tech negotiated the first amendment to the Agreement with the City, which enabled 16 Tech to access an additional \$32 million in project funds.

As of December 31, 2018, 16 Tech Corp had exhausted the initial City funding and was in negotiations to access the remainder of the funds. In May 2019, 16 Tech executed the First Amendment to the Project Agreement which allows multiphase investments in the Innovation District and phased access to the TIF Bond proceeds. In 2019 and 2018, 16 Tech Corp received \$16,538,759 and \$1,134,874, respectively, in TIF bond proceeds.

Richard M. Fairbanks Foundation Grant

On March 1, 2017, the Richard M. Fairbanks Foundation (RMFF) awarded 16 Tech a grant in an amount up to \$2,000,000 to support its operations contingent upon reaching specific milestones by March 31, 2019. During 2018, 16 Tech Corp had been awarded \$1,500,000. The remaining milestones were achieved during 2019 and 16 Tech Corp was awarded the remaining \$500,000.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lilly Endowment Inc. Funding

16 Tech received a \$38 million conditional grant for Phase I development from Lilly Endowment Inc. (LEI) in 2017. In 2018, LEI released an additional \$17 million in funding for successful completion of milestones. The remaining \$18 million of the grant is contingent upon lease commitments from for-profit life sciences, tech and similar businesses which must be executed by December 31, 2020.

Indiana Economic Development Corporation

In September 2019, Developer entered into an Industrial Recovery Tax Credit Agreement (commonly known as DINO Credit) with the Indiana Economic Development Corporation (IEDC). Under the terms of the agreement, Developer receives tax credit for Qualified Expenses, as defined, that are incurred related to the Project, as defined in the agreement. Under the terms of the agreement, the DINO Credit received can be assigned to another entity under Indiana Code Section 6-3.1-11-16, for which 16 Tech qualifies. The agreement requires the repayment to IEDC the lesser of the total Tax Credit, as defined, or the Maximum Tax Credit Amount, as defined, less the Completion Credit of \$7,000,000. The repayment amount will accrue interest annual at 2.89% and is due in full on December 31, 2033, the Expiration Date of the agreement.

NOTE 11 - UNCERTAINTY RELATED TO CORONAVIRUS

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. The ultimate impact of the outbreak to 16 Tech's financial results and operations cannot be determined at this time, however, management is taking actions to mitigate the impact of the outbreak to 16 Tech.

CONSOLIDATING INFORMATION

*Independent Auditors' Report
on Consolidating Information*

Boards of Directors
16 Tech Community Corporation and Affiliates

We have audited the consolidated financial statements of 16 Tech Community Corporation and Affiliates as of and for the year ended December 31, 2019, and our report thereon dated May 19, 2020, which contained an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating schedules of statement of financial position information and statement of activities information are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
May 19, 2020

16 TECH COMMUNITY CORPORATION AND AFFILIATES
CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION
December 31, 2019

ASSETS

	16 Tech Community Corporation	16 Tech Developer, LLC	16 Tech Leverage Lender, LLC	16 Tech Sub-Tenant, LLC	Innovation Hub Building Holding Corporation, Inc.	Eliminations	Consolidated
ASSETS							
Cash and Cash Equivalents	\$ 11,084,962	\$ -	\$ -	\$ 3,195,514	\$ 21,234,909	\$ -	\$ 35,515,385
Restricted Cash	-	304,686	15,000	-	746,000	-	1,065,686
Promises to Give and Grants Receivable, net	699,990	-	-	-	-	-	699,990
Accounts Receivable	-	454,799	-	-	-	(454,799)	-
Prepaid Expenses	24,477	-	-	-	-	-	24,477
Real Estate Investments	897,000	-	-	-	-	-	897,000
Investment in Affiliates	1,272,042	542	-	-	-	(1,272,584)	-
Note Receivable	-	-	15,956,800	-	-	-	15,956,800
Note Receivable from Affiliate	-	8,743,800	-	-	-	(8,743,800)	-
Land	13,542,556	-	-	-	1,229,268	-	14,771,824
Construction in Progress	26,187,797	-	-	-	862,462	-	27,050,259
TOTAL ASSETS	<u>\$53,708,824</u>	<u>\$ 9,503,827</u>	<u>\$ 15,971,800</u>	<u>\$ 3,195,514</u>	<u>\$ 24,072,639</u>	<u>\$ (10,471,183)</u>	<u>\$ 95,981,421</u>

LIABILITIES AND NET ASSETS/EQUITY (DEFICIT)

LIABILITIES							
Accounts Payable	\$ 4,055,672	\$ 454,799	\$ -	\$ -	\$ 454,799	\$ (454,799)	\$ 4,510,471
Accrued Expenses	8,553	-	-	-	-	-	8,553
NMTC Notes Payable	-	-	-	-	22,710,000	-	22,710,000
Notes Payable, net	-	10,972,500	7,227,000	-	-	-	18,199,500
Note Payable from Affiliate	-	-	8,743,800	-	-	(8,743,800)	-
Total Liabilities	<u>4,064,225</u>	<u>11,427,299</u>	<u>15,970,800</u>	<u>-</u>	<u>23,164,799</u>	<u>(9,198,599)</u>	<u>45,428,524</u>
NET ASSETS/EQUITY (DEFICIT)							
Without Donor Restrictions	47,870,390	-	-	-	907,840	-	48,778,230
With Donor Restrictions	1,774,209	-	-	-	-	-	1,774,209
Noncontrolling Interest in Members' Equity	-	-	458	-	-	-	458
Retained Earnings/Member's Equity (Deficit)	-	(1,923,472)	542	3,195,514	-	(1,272,584)	-
Total Net Assets/Equity (Deficit)	<u>49,644,599</u>	<u>(1,923,472)</u>	<u>1,000</u>	<u>3,195,514</u>	<u>907,840</u>	<u>(1,272,584)</u>	<u>50,552,897</u>
TOTAL LIABILITIES AND NET ASSETS/EQUITY (DEFICIT)	<u>\$53,708,824</u>	<u>\$ 9,503,827</u>	<u>\$ 15,971,800</u>	<u>\$ 3,195,514</u>	<u>\$ 24,072,639</u>	<u>\$ (10,471,183)</u>	<u>\$ 95,981,421</u>

16 TECH COMMUNITY CORPORATION AND AFFILIATES
CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2019

	16 Tech Community Corporation	16 Tech Developer, LLC	16 Tech Leverage Lender, LLC	16 Tech Sub-Tenant, LLC	Innovation Hub Building Holding Corporation, Inc.	Eliminations	Consolidated
REVENUE AND SUPPORT							
Grants and Contributions:							
Donated Land, Building and Improvements	\$ 4,460,000	\$ -	\$ -	\$ -	\$ 1,636,931	\$ (1,636,931)	\$ 4,460,000
Infrastructure Grants and Contributions	16,538,759	-	-	-	-	-	16,538,759
Operating Grants and Contributions	561,468	-	-	-	-	-	561,468
Other Contributions from Affiliates	-	-	-	-	395,220	(395,220)	-
Total Grants and Contributions	<u>21,560,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,032,151</u>	<u>(2,032,151)</u>	<u>21,560,227</u>
Interest Income	191,822	-	-	-	-	-	191,822
Operating and Other Income	50,664	100	-	2,181,962	-	(2,181,962)	50,764
Developer Investment Revenue - DINO Credit	-	17,358,762	-	-	-	-	17,358,762
Income from Investment in Subsidiaries	1,271,842	-	-	-	-	(1,271,842)	-
Total Revenue and Support	<u>23,074,555</u>	<u>17,358,862</u>	<u>-</u>	<u>2,181,962</u>	<u>2,032,151</u>	<u>(5,485,955)</u>	<u>39,161,575</u>
EXPENSES							
Program Services	3,342,331	18,268,982	-	-	1,124,311	(2,032,151)	20,703,473
Management and General	2,776,223	-	-	-	-	(2,181,962)	594,261
Fundraising	183,214	-	-	-	-	-	183,214
Total Expenses	<u>6,301,768</u>	<u>18,268,982</u>	<u>-</u>	<u>-</u>	<u>1,124,311</u>	<u>(4,214,113)</u>	<u>21,480,948</u>
INCREASE (DECREASE) IN NET ASSETS/EQUITY	16,772,787	(910,120)	-	2,181,962	907,840	(1,271,842)	17,680,627
CONTRIBUTION FROM (DISTRIBUTION TO) MEMBERS	-	(1,013,352)	1,000	1,013,552	-	(742)	458
NET ASSETS/EQUITY							
Beginning of Year	<u>32,871,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,871,812</u>
End of Year	<u>\$ 49,644,599</u>	<u>\$ (1,923,472)</u>	<u>\$ 1,000</u>	<u>\$ 3,195,514</u>	<u>\$ 907,840</u>	<u>\$ (1,272,584)</u>	<u>\$ 50,552,897</u>