



STATE OF INDIANA
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March 15, 2022

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

We have reviewed the audit report of the Indiana Economic Development Corporation, which was opined upon by BKD, LLP, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indiana Economic Development Corporation as of June 30, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 53. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's response and planned corrective action also appear on page 53.

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

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

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

Tammy R. White, CPA
Deputy State Examiner

Indiana Economic Development Corporation

A Component Unit of the State of Indiana

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT WITH SUPPLEMENTARY AND OTHER INFORMATION

June 30, 2021

Indiana Economic Development Corporation
A Component Unit of the State of Indiana
June 30, 2021

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Indiana Economic Development Corporation
A Component Unit of the State of Indiana
June 30, 2021

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Independent Auditor's Report

Board of Directors
Indiana Economic Development Corporation
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Indiana Economic Development Corporation (IEDC), a component unit of the State of Indiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise 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 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 auditor considers 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of IEDC, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information, as listed in the table of contents 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise IEDC's basic financial statements. The schedule of expenditures of federal awards is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and are 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 relates 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December 20, 2021, on our consideration of IEDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IEDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IEDC's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana

December 20, 2021, except for the other

information as to which the date is February 10, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Management’s Discussion and Analysis (Unaudited)
June 30, 2021

As management of the Indiana Economic Development Corporation (the Corporation), we offer readers of the Corporation’s basic financial statements this narrative overview and analysis of the financial activities of the Corporation and the Indiana Economic Development Foundation, Inc. (the Foundation) (together, the IEDC) for the fiscal years ended June 30, 2021 and 2020. 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 IEDC was created to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana’s economy and the orderly economic development and growth of Indiana, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry, and the promotion of Indiana. The IEDC leads the state of Indiana’s economic development efforts, helping businesses launch, grow and locate in the state. The IEDC manages many initiatives, including performance-based tax credits, workforce training grants, innovation and entrepreneurship resources, public infrastructure assistance, and talent attraction and retention efforts. The IEDC’s Board of Directors is composed of 12 members, consisting of the Governor and 11 individuals appointed by the Governor. At least five members of the board must belong to the same political party as the Governor, and at least three members must belong to another major political party, but none may be members of the general assembly. The IEDC is reported as a non-major discretely presented governmental component unit.

The Corporation is a component unit of the State of Indiana (the 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’s Board of Directors is chaired by the Governor of Indiana and reflects the geographic and economic diversity of Indiana. The Corporation focuses its efforts on growing and retaining businesses in Indiana and attracting new business to the State. Economic development is the main objective of the Corporation, and it has incorporated most state entities with economic development responsibilities into its organizational structure. The Corporation is also responsible for the development and implementation of the State’s strategic plan for economic development.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis (Unaudited)
June 30, 2021

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021 fiscal year include the following:

- Total revenues were \$269.7 million as compared to total expenditures of \$274.4 million.
- Total net position decreased by approximately \$4.6 million for the fiscal year ended 2021. Revenues increased approximately \$86.3 million due to significant appropriations received from the State of Indiana in fiscal year 2021 for the Treasury COVID-19 fund, which was created in 2020 to support the federal grant activity associated with the *Coronavirus Aid, Relief, and Economic Security Act* (CARES) due to the global spread of the SARS-CoV-2 virus (COVID-19). Expenses also increased approximately \$119.7 million in relation to activity in this new fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Statements

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

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis (Unaudited)
June 30, 2021

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

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

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.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis (Unaudited)
June 30, 2021

The IEDC maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the following funds, which are considered to be major funds: General, Business Promotion and Innovation, 21st Century Research & Technology, Skills Enhancement, Industrial Development Grant, Regional Cities Initiative, 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.

FINANCIAL ANALYSIS

Net Position

The following is condensed from the Statement of Net Position:

	Governmental Activities (Corporation)		Business-Type Activities (Foundation)	
	2021	2020	2021	2020
Assets				
Current assets	\$ 186,162,842	\$ 301,840,883	\$ 3,720,295	\$ 3,583,314
Capital and noncurrent assets	118,391,404	87,079,306	-	-
Total assets	<u>304,554,246</u>	<u>388,920,189</u>	<u>3,720,295</u>	<u>3,583,314</u>
Deferred Outflows of Resources	<u>1,030,951</u>	<u>915,842</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>305,585,197</u>	<u>389,836,031</u>	<u>3,720,295</u>	<u>3,583,314</u>
Liabilities				
Current liabilities	92,190,287	171,434,354	254,386	287,375
Noncurrent liabilities	3,448,988	3,922,780	-	-
Total liabilities	<u>95,639,275</u>	<u>175,357,134</u>	<u>254,386</u>	<u>287,375</u>
Deferred Inflows of Resources	<u>922,956</u>	<u>639,713</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflow of resources	<u>96,562,231</u>	<u>175,996,847</u>	<u>254,386</u>	<u>287,375</u>
Net Position				
Net investment in capital assets	25,641,836	217,743	-	-
Restricted	178,692,785	210,460,753	109,234	109,234
Unrestricted	4,688,345	3,160,688	3,356,675	3,186,705
Total net position	<u>\$ 209,022,966</u>	<u>\$ 213,839,184</u>	<u>\$ 3,465,909</u>	<u>\$ 3,295,939</u>

Indiana Economic Development Corporation
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Management's Discussion and Analysis (Unaudited)
June 30, 2021

The total net position at June 30 was as follows:

	<u>2021</u>	<u>2020</u>
Assets	\$ 308,274,541	\$ 392,503,503
Deferred outflows of resources	1,030,951	915,842
Liabilities	95,893,661	175,644,509
Deferred inflows of resources	<u>922,956</u>	<u>639,713</u>
Net position	<u>\$ 212,488,875</u>	<u>\$ 217,135,123</u>

The IEDC's total net position was \$212.5 million at June 30, 2021, compared to total net position of \$217.1 million at June 30, 2020. Total assets and deferred outflows decreased \$84.1 million during fiscal year 2021. The primary change in assets is due to a decrease in cash from expenditures related to the Treasury COVID-19 fund offset by an increase in land held for redevelopment, which is described in Note 5. Total liabilities and deferred inflows decreased \$79.5 million during fiscal year 2021, which is primarily due to the decrease in unearned revenue for the advanced funding of COVID-19 related federal grants as well as an overall reduction in accounts payable for reduced operations relating to the CARES grant.

Change in Net Position

The following is condensed from the Statement of Activities:

	Governmental Activities (Corporation)		Business-Type Activities (Foundation)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Program Revenues				
Charges for services	\$ -		\$ -	
Operating grants and contributions	268,230,856	180,527,608	804,458	1,321,216
General Revenues				
Gaming taxes	679,719	1,227,814	-	-
Investment earnings	8,713	357,844	4,570	40,980
Total revenues	<u>268,919,288</u>	<u>182,113,266</u>	<u>809,028</u>	<u>1,362,196</u>
Expenditures				
General government	273,676,472	152,508,694	-	-
Travel, meals and entertainment	-	-	511,909	1,436,052
Administration	-	-	64,864	569,869
Sponsorships	-	-	57,286	47,251
Other expenses	-	-	64,033	82,901
Total expenditures	<u>273,676,472</u>	<u>152,508,694</u>	<u>698,092</u>	<u>2,136,073</u>
Transfers between funds	<u>(59,034)</u>	<u>(1,184,369)</u>	<u>59,034</u>	<u>1,184,369</u>
Change in net position	(4,816,218)	28,420,203	169,970	410,492
Beginning net position	<u>213,839,184</u>	<u>185,418,981</u>	<u>3,295,939</u>	<u>2,885,447</u>
Ending net position	<u>\$ 209,022,966</u>	<u>\$ 213,839,184</u>	<u>\$ 3,465,909</u>	<u>\$ 3,295,939</u>

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis (Unaudited)
June 30, 2021

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

	<u>2021</u>	<u>2020</u>
Revenues	\$ 269,728,316	\$ 183,475,462
Expenses	<u>274,374,564</u>	<u>154,644,767</u>
Changes in net position	<u>\$ (4,646,248)</u>	<u>\$ 28,830,695</u>

Revenue increased \$86.3 million during fiscal year 2021, while expense increased \$119.7 million. The increase in both revenue and expenses is in relation to the continued increase in activity associated with the Treasury COVID-19 fund.

CONTACTING IEDC'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total Activities
Assets and Deferred Outflows of Resources			
Current Assets			
Cash	\$ -	\$ 3,662,505	\$ 3,662,505
Funds held by State of Indiana	184,501,589	-	184,501,589
Accounts receivable	-	24,257	24,257
Internal balances	(33,533)	33,533	-
Grants receivable	1,693,334	-	1,693,334
Interest receivable	1,452	-	1,452
Total current assets	<u>186,162,842</u>	<u>3,720,295</u>	<u>189,883,137</u>
Noncurrent Assets			
Loans receivable, net	92,749,568	-	92,749,568
Land held for redevelopment	25,500,000	-	25,500,000
Capital assets, at cost, less accumulated depreciation	141,836	-	141,836
Total noncurrent assets	<u>118,391,404</u>	<u>-</u>	<u>118,391,404</u>
Total assets	<u>304,554,246</u>	<u>3,720,295</u>	<u>308,274,541</u>
Deferred Outflows of Resources			
	<u>1,030,951</u>	<u>-</u>	<u>1,030,951</u>
Total assets and deferred outflows of resources	<u>305,585,197</u>	<u>3,720,295</u>	<u>309,305,492</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	8,103,295	77,986	8,181,281
Accrued expenses	406,693	-	406,693
Unearned revenue	83,064,045	176,400	83,240,445
Accrued liability for compensated absences	616,254	-	616,254
Total current liabilities	<u>92,190,287</u>	<u>254,386</u>	<u>92,444,673</u>
Noncurrent Liabilities - pension liability			
Total liabilities	<u>3,448,988</u>	<u>-</u>	<u>3,448,988</u>
Total liabilities	<u>95,639,275</u>	<u>254,386</u>	<u>95,893,661</u>
Deferred Inflows of Resources			
	<u>922,956</u>	<u>-</u>	<u>922,956</u>
Total liabilities and deferred inflows of resources	<u>96,562,231</u>	<u>254,386</u>	<u>96,816,617</u>
Net Position			
Net investment in capital assets	25,641,836	-	25,641,836
Restricted	178,692,785	109,234	178,802,019
Unrestricted	4,688,345	3,356,675	8,045,020
Total net position	<u>\$ 209,022,966</u>	<u>\$ 3,465,909</u>	<u>\$ 212,488,875</u>

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General government	\$ 273,676,472	\$ -	\$ 268,230,856	\$ (5,445,616)		\$ (5,445,616)
Total governmental activities	<u>273,676,472</u>	<u>-</u>	<u>268,230,856</u>	<u>(5,445,616)</u>		<u>(5,445,616)</u>
Business-Type Activities						
Foundation	698,092	-	804,458		\$ 106,366	106,366
Total business-type activities	<u>698,092</u>	<u>-</u>	<u>804,458</u>		<u>106,366</u>	<u>106,366</u>
Total Government	<u>\$ 274,374,564</u>	<u>\$ -</u>	<u>\$ 269,035,314</u>	(5,445,616)	106,366	(5,339,250)
General revenues:						
Gaming taxes				679,719	-	679,719
Investment earnings				8,713	4,570	13,283
Transfers				(59,034)	59,034	-
Total general revenues and transfers				<u>629,398</u>	<u>63,604</u>	<u>693,002</u>
Change in net position				(4,816,218)	169,970	(4,646,248)
Net position - beginning of year				<u>213,839,184</u>	<u>3,295,939</u>	<u>217,135,123</u>
Net position - end of year				<u>\$ 209,022,966</u>	<u>\$ 3,465,909</u>	<u>\$ 212,488,875</u>

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Balance Sheet - Governmental Funds
June 30, 2021

	General Fund	Business Promotion and Innovation	21st Century Research & Technology	Skills Enhancement Fund	COVID-19 Treasury Fund	Other Funds	2021 Total
Assets							
Funds held by State of Indiana	\$ 925,035	\$ 9,871,902	\$ 4,991,639	\$ 47,972,157	\$ 83,086,416	\$ 37,654,440	\$ 184,501,589
Accounts receivable	-	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	1,693,334	1,693,334
Interest receivable	-	-	-	1,452	-	-	1,452
Due from other funds	-	-	-	-	-	379,421	379,421
Loans receivable, net	-	-	65,231,047	-	-	27,518,521	92,749,568
Total assets	<u>\$ 925,035</u>	<u>\$ 9,871,902</u>	<u>\$ 70,222,686</u>	<u>\$ 47,973,609</u>	<u>\$ 83,086,416</u>	<u>\$ 67,245,716</u>	<u>\$ 279,325,364</u>
Liabilities							
Accounts payable	\$ 114,577	\$ 1,739,491	\$ 3,308,971	\$ 391,270	\$ 610,235	\$ 1,938,751	\$ 8,103,295
Due to other funds	33,533	-	379,421	-	-	-	412,954
Accrued expenses	279,639	9,017	36,776	5,057	-	76,204	406,693
Unearned revenue	-	-	-	-	83,064,045	-	83,064,045
Total liabilities	<u>427,749</u>	<u>1,748,508</u>	<u>3,725,168</u>	<u>396,327</u>	<u>83,674,280</u>	<u>2,014,955</u>	<u>91,986,987</u>
Fund Balance							
Non-spendable	-	-	65,231,047	-	-	27,518,521	92,749,568
Restricted	-	8,123,394	1,266,471	47,577,282	-	28,976,071	85,943,218
Assigned	-	-	-	-	-	8,736,169	8,736,169
Unassigned	497,286	-	-	-	(587,864)	-	(90,578)
Total fund balance	<u>497,286</u>	<u>8,123,394</u>	<u>66,497,518</u>	<u>47,577,282</u>	<u>(587,864)</u>	<u>65,230,761</u>	<u>187,338,377</u>
Total liabilities and fund balance	<u>\$ 925,035</u>	<u>\$ 9,871,902</u>	<u>\$ 70,222,686</u>	<u>\$ 47,973,609</u>	<u>\$ 83,086,416</u>	<u>\$ 67,245,716</u>	<u>\$ 279,325,364</u>

See Notes to Financial Statements

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Reconciliation of the Balance Sheet for Governmental Funds
to the Statement of Net Position
June 30, 2021

Fund balances - total governmental funds	\$ 187,338,377
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	25,641,836
Liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds	(3,448,988)
Deferred outflows of resources related to pension are not financial resources and, therefore, are not reported in the fund statements	1,030,951
Deferred inflows of resources related to pensions are not available to pay for current period expenditures and, therefore, are not reported in the fund statements	(922,956)
Liability for compensated absences for employees who have not left active service by June 30, 2021 and are due pending payouts are not reported in the fund statements	(616,254)
Net position of governmental activities	\$ 209,022,966

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	General Fund	Business Promotion and & Innovation	21st Century Research & Technology	Skills Enhancement Fund	COVID-19 Treasury Fund	Other Funds	2021 Total
Revenues							
Gaming taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 679,719	\$ 679,719
Investment income	-	-	-	8,713	-	-	8,713
State appropriation and grants	8,307,173	17,000,000	17,850,000	7,365,613	190,929,658	24,822,334	266,274,778
Other funding	-	-	-	-	-	1,953,859	1,953,859
Total revenues	<u>8,307,173</u>	<u>17,000,000</u>	<u>17,850,000</u>	<u>7,374,326</u>	<u>190,929,658</u>	<u>27,458,131</u>	<u>268,919,288</u>
Expenditures							
Current:							
General government	7,888,706	14,167,882	26,894,374	4,701,634	191,517,522	28,707,238	273,877,356
Capital outlays	-	25,500,000	-	-	-	-	25,500,000
Total expenditures	<u>7,888,706</u>	<u>39,667,882</u>	<u>26,894,374</u>	<u>4,701,634</u>	<u>191,517,522</u>	<u>28,707,238</u>	<u>299,377,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>418,467</u>	<u>(22,667,882)</u>	<u>(9,044,374)</u>	<u>2,672,692</u>	<u>(587,864)</u>	<u>(1,249,107)</u>	<u>(30,458,068)</u>
Other Financing Sources (Uses)							
Transfers in	-	20,000,000	-	-	-	2,833,000	22,833,000
Transfers out	(18,684)	(29,579)	(1,446)	(83,034)	-	(22,759,291)	(22,892,034)
	<u>(18,684)</u>	<u>19,970,421</u>	<u>(1,446)</u>	<u>(83,034)</u>	<u>-</u>	<u>(19,926,291)</u>	<u>(59,034)</u>
Net change in fund balances	399,783	(2,697,461)	(9,045,820)	2,589,658	(587,864)	(21,175,398)	(30,517,102)
Fund balances - beginning of year	<u>97,503</u>	<u>10,820,855</u>	<u>75,543,338</u>	<u>44,987,624</u>	<u>-</u>	<u>86,406,159</u>	<u>217,855,479</u>
Fund balances - end of year	<u>\$ 497,286</u>	<u>\$ 8,123,394</u>	<u>\$ 66,497,518</u>	<u>\$ 47,577,282</u>	<u>\$ (587,864)</u>	<u>\$ 65,230,761</u>	<u>\$ 187,338,377</u>

Indiana Economic Development Corporation

(A Component Unit of the State of Indiana)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2021

Net changes in fund balances - total governmental funds	\$ (30,517,102)
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense is not reported in the fund statements, but is reported as a decrease in net position in the statement of activities	(75,906)
Capital outlays are reported as expenditures in the fund statements, but are reported as additions to capital assets in the statement of net position	25,500,000
Pension expense recognized in the statement of activities in excess of pension contributions recognized as expenditures in the fund statements	305,657
Increase in compensated absences that is not reported in the fund statements	<u>(28,867)</u>
Change in net position of governmental activities	<u><u>\$ (4,816,218)</u></u>

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Statement of Net Position - Proprietary Funds
June 30, 2021

	Foundation
Assets	
Current assets	
Cash	\$ 3,662,505
Accounts receivable	24,257
Due from other funds	33,533
Total assets	3,720,295
Liabilities	
Current liabilities	
Accounts payable	77,986
Unearned revenues	176,400
Total liabilities	254,386
Net Position	
Restricted	109,234
Unrestricted	3,356,675
Total net position	\$ 3,465,909

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
Year Ended June 30, 2021

	Foundation
Operating Revenues	
Contributions	\$ 804,458
Investment earnings	4,570
Total operating revenues	809,028
Operating Expenses	
Travel, meals and entertainment	511,909
Administration	64,864
Sponsorships	57,286
Other expense	64,033
Total operating expenses	698,092
Operating Income	110,936
Transfers in	59,034
Change in Net Position	169,970
Net Position, Beginning of Year	3,295,939
Net Position, End of Year	\$ 3,465,909

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2021

	Foundation
Cash Flows From Operating Activities	
Contributions	\$ 1,017,358
Investment earnings	4,570
Operating expenses	(731,081)
Net cash provided by operating activities	290,847
Cash Flows From Noncapital Financing Activities	
Transfers	212,907
Net cash provided by noncapital financing activities	212,907
Cash Flows From Investing Activities	
Proceeds from sales of investments	250,447
Net cash provided by investing activities	250,447
Net Increase in Cash and Cash Equivalents	754,201
Cash and Cash Equivalents, Beginning of Year	2,908,304
Cash and Cash Equivalents, End of Year	\$ 3,662,505
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 110,936
Adjustment to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable and due from other funds	212,900
Accounts payable and unearned revenues	(32,989)
Total adjustments	179,911
Net cash provided by operating activities	\$ 290,847

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies

Reporting Entity

By Indiana Code 5-28, the Indiana General Assembly created Indiana Economic Development Corporation (the Corporation), a component unit of the State of Indiana (the State), as a separate corporation. The Corporation is the lead economic development agency for the State. The Corporation is organized as a public-private partnership governed by a twelve-member board. The Corporation's Board of Directors is chaired by the Governor of Indiana and reflects the geographic and economic diversity of Indiana. The Corporation focuses its efforts on growing and retaining businesses in Indiana and attracting new business to the State. The Corporation is also responsible for the development and implementation of Indiana's strategic plan for economic development. The Corporation, along with its blended component unit (collectively, the IEDC), is a component unit to be included in the State's 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all activities of the IEDC. Governmental activities, which 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services and (2) grants and contributions that are restricted to meeting operational requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

As a proprietary fund, the Foundation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from receiving contributions and investment earnings and delivering services in connection with the Foundation's principal ongoing operations.

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

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

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

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

Skills Enhancement Fund: Funds the Training 2000 Program also known as the Skills Enhancement Fund (SEF). The SEF is a tool to encourage companies to invest in their existing workforce and to train new employees. The SEF provides reimbursement for eligible training expenses over a two year term. IC 5-28-7 specifies the funding and parameters of the program. The SEF grant is an integral economic development tool which is important for job creation and the continued enhancement of Hoosier human capital. Training funds are obligated at the time a contract is executed, but there are still reporting requirements that must be met to receive reimbursement of training costs. The fund balance of \$47,577,217 had commitments of \$39,210,578 (82.4%) as of June 30, 2021.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

COVID-19 Treasury Fund: This fund was created during 2020 to support the federal grant activity associated with the *Coronavirus Aid, Relief, and Economic Security Act* (CARES) due to the global spread of the SARS-CoV-2 virus (COVID-19). Shortly after the pandemic started in March 2020, the State received a significant portion of CARES funding from the federal government. A portion of this funding was passed through to IEDC to provide grants under two programs. The first program, called Indiana Small Business PPE Marketplace, provides small business and nonprofits with reliable access to personal protective equipment (PPE) to ensure organizations have the supplies needed to safely reopen. The total funding received by IEDC as of June 30, 2021 was \$215,527,195. The second program, called Small Business Restart Grant program, provides grants to Indiana business meeting certain qualifications to cover expenses related to the COVID-19 pandemic. The total funding received by IEDC as of June 30, 2021 was \$135,770,000. The third program, called Smart Manufacturing, provide grants to Indiana businesses to help them expand critical knowledge and lower the barriers to Smart Manufacturing adoption and healthcare manufacturing equipment procurement. The total funding received by IEDC as of June 30, 2021 was \$1,902,805. The last program is to be by IEDC to engage a firm to complete program compliance auditing and continuous monitoring of programs related to the CARES funding. The total funding received by IEDC as of June 30, 2021 is \$500,000.

The IEDC reports one proprietary fund for the Foundation operations.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized as they become susceptible to accrual; generally, as soon as they are both measureable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recognized 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.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amount of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

Cash and Investments

The IEDC's cash is maintained in bank deposit accounts or in funds held with the State. All cash held in bank deposit accounts is considered to be cash on hand.

Investments for the IEDC are reported at fair value.

Funds Held by the State of Indiana

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

Accounts and Grants Receivable

Accounts and grants receivable consist of amounts billed or billable for services provided, net of an allowance of doubtful accounts, if determined to be necessary. 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. 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 no allowance was necessary at June 30, 2021.

Revenue recognized related to receiving payments from the State was \$70,436,850 from State appropriations and grants and \$679,719 from gaming taxes during fiscal year 2021.

Loans Receivable

Loans receivable are carried at the principal amount outstanding, net of an allowance for doubtful accounts. Interest income is accrued on the principal balance of the loans, when deemed to be collectible. The IEDC's source of funding for loans is from State appropriations and grants. Because there are a small number of loans outstanding, management estimates the allowance for loan loss by identifying specific troubled loans. The determination of the adequacy of the allowance for loan loss is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. At June 30, 2021, the allowance for loan loss was \$26,933,093. Management believes that as of June 30, 2021, the allowance for loan loss is adequate based on information currently available.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. The IEDC capitalizes fixed asset purchases over \$2,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are as follows:

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

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position by the IEDC that is applicable to a future reporting period, and a deferred inflow of resources is an acquisition of net position by the IEDC that is applicable to a future reporting period. Both deferred outflows and inflows of resources are reported in the statement of net position, but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

The deferred outflows and inflows of resources in the statement of net position relate to the effects of certain changes in net pension liabilities that are required to be included in pension expense over the current and future periods.

Compensated Absences

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and personal time is accrued when earned by the employee and the accrual is based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Pension Plan

The employees of the IEDC participate in the Indiana Public Retirement System (INPRS). The IEDC recognizes its proportionate share of the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense. Deferred outflows and inflows of resources represent changes in the IEDC's allocated proportion from the previous year; differences between the IEDC's contributions to the Plan and its proportionate share, actual Plan investment earnings and expected amounts, and expected and actual experience on the Plan included in determining pension expense; and the impact of changes in assumptions on the net pension liability, all of which are being amortized into pension expense over the average expected remaining services life, except for the differences between expected and actual investment earnings, which is amortized over five years. Deferred outflows of resources also includes contributions made to the Plan between the Plan's measurement date for the net pension liability and the end of the IEDC's fiscal year.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

Net Position/Fund Balances

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

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

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

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

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

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

Note 2: Deposits

As of June 30, 2021, the IEDC had \$188,164,094 in deposit balances. These balances are classified in the statement of net position as follows:

	2021
Cash	\$ 3,662,505
Funds held by State of Indiana	184,501,589
	\$ 188,164,094

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

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

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

Note 3: Related Parties

Indiana 21st Century Fund, LP (the LP) was formed on August 25, 2011. The LP 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 LP will give the charitable and governmental purposes of its partners priority over maximizing profits and any other commercial interests which may arise as a result of its investments in awardees.

The Foundation is a limited partner that holds a 45% interest in the LP. The general partner is Elevate Advisors, LLC, which has a 10% interest, and the other limited partner is Elevate Ventures, Inc., which has a 45% interest. The Foundation is not liable for any loss of the LP as a limited partner. The Foundation's capital account is not in a deficit position at June 30, 2021, however, management does not believe equity of the fund has material value at June 30, 2021. Therefore, no asset or liability is recorded in the statement of net position for this interest.

Under the State Small Business Credit Initiative (SSBCI) Program, the Department of Treasury awarded certain funds to the State for allocation and investment within its LP State venture capital program with administration by the IEDC. The contract is not considered federal funding for the purposes of the U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* requirements. These funds have been allocated for investment within each of the LLCs referenced below, which are all wholly-owned by the LP.

- 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 Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

- Indiana High Growth Fund, LLC (the IHG Fund) is a source of capital for the building of high-growth capital pools or funds dedicated to making investments in emerging, high-potential companies within the State. The IHG Fund is a fund of funds and supports investments in growing Indiana companies.

Note 4: Loans Receivable

The IEDC has net convertible loans receivable from the 21 Fund totaling \$65,231,047, including an allowance of \$19,348,000, at June 30, 2021, with a maturity date of the dissolution date of the 21 Fund. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the loans into a limited partner interest in the 21 Fund. The loans accrue interest at a simple rate of 1% per year. No payments are due until the maturity date, at which time all accrued interest will be paid first, followed by any outstanding principal of the loan. Prepayments of the loans are not allowed without the IEDC's approval.

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

The IAN Fund has a loan agreement in place for available principal of \$15,025,131 that is a convertible note payable to the IEDC with a maturity date of August 2, 2025. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the IAN Fund. The note accrues interest at a simple rate of 1% per year. At June 30, 2021, the IAN Fund had drawn the full amount on this note.

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. At June 30, 2021, the ISFH Fund had drawn \$5,000,014.

The IHG Fund has a loan agreement in place for available principal of \$4,998,161 that is a convertible note payable to the IEDC with a maturity date of December 20, 2025. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the IHG Fund. The note accrues interest at a simple rate of 1% per year. At June 30, 2021, the IHG Fund had drawn the full amount on this note.

The SSBCI-Extender Fund has a loan agreement in place for available principal of \$7,316,290 that is a convertible note payable to the IEDC with a maturity date of February 7, 2033. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the Extender Fund. The note accrues interest at a simple rate of 1% per year. At June 30, 2021, the Extender Fund had drawn the full amount on this note.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

The total allowance recorded on the IAN, ISFH, IHG and SSBCI-Extender Fund loans, which are included in the State Small Business Credit Initiative Fund, was \$6,152,147 at June 30, 2021.

Additionally, for any note that becomes impaired, the IEDC may forgive a portion of the loans receivable equal to the principal of the note receivable and accrued interest up to 1% per year of the principal balance, less any proceeds received from the note receivable. An allowance for uncollectible accounts is determined by management based upon specific circumstances, knowledge of Indiana companies that hold notes and general economic conditions. At June 30, 2021, the loan allowance totaled \$26,933,093 for all funds.

Additional loans were made by IEDC with varying maturities dates. The gross amount of these loans at June 30, 2021 is included in the Other Nonmajor Funds for \$2,777,538 with an allowance of \$1,432,946.

Note 5: Capital Assets and Land Held for Redevelopment

Capital assets used in governmental activities for the year ended June 30, 2021, were as follows:

	July 1, 2020	Additions	Disposals	June 30, 2021
Furniture and equipment	\$ 215,003	\$ -	\$ -	\$ 215,003
Computer software and hardware	187,896	-	-	187,896
Automobiles	104,373	-	-	104,373
	<u>507,272</u>	<u>-</u>	<u>-</u>	<u>507,272</u>
Less accumulated depreciation	(289,529)	(75,907)	-	(365,436)
Capital assets, net	<u>\$ 217,743</u>	<u>\$ (75,907)</u>	<u>\$ -</u>	<u>\$ 141,836</u>

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

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

Note 6: Benefit Plan

Plan Description

The IEDC contributed to the Public Employees' Retirement Fund (PERF), which is administered by INPRS as a cost-sharing, multiple-employer defined-benefit plan. PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. The fund provides supplemental retirement benefits to Public Employees' Defined Benefit Account (PERF DB) members and serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice Plan) members.

New employees hired by the State or a participating political subdivision have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid Plan) or the My Choice Plan, which is covered in the Defined Contributions section below. A new hire that is an existing member of PERF Hybrid Plan and was not given the option for My Choice is given the option to elect My Choice Plan or remain in PERF Hybrid Plan. The PERF Hybrid Plan consists of two components: PERF DB, the employer-funded monthly defined-benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

Effective January 1, 2018, funds previously known as annuity savings accounts (which were reported within defined-benefit funds) were re-categorized as defined contribution funds based on Internal Revenue Private Letter Rulings PLR-193-2016 and PLR-110249-18. PERF Defined Contribution member balances (previously known as annuity savings accounts) reported within PERF DB were transferred to the appropriate defined-contribution fund as of January 1, 2018.

Retirement Benefits - Defined Benefit Pension

A member who has reached age 65 and has at least ten years of creditable service, or eight years for certain elected officials, is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position, or only four quarters for an elected official. All 20 calendar quarters do not need to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

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A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2021; however, there was a one-time check (13th check) on October 1, which is assumed to continue annually until 2022.

The PERF Plan also provides disability and survivor benefits. A member who has at least five years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

Retirement Benefits - Defined Contribution Pension

The My Choice Plan is a multi-employer defined-contribution fund that serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice) members. New employees hired have a one-time election to join either the PERF Hybrid Plan or the My Choice Plan, which both include defined-contribution funds.

The Public Employees' Hybrid Members Defined Contribution Account (PERF Hybrid DC) is the defined-contribution component of the Public Employees' Hybrid Plan. The Public Employees' Defined Benefit Account is the other component of the Public Employees' Hybrid Plan. Member contributions are set by statute at 3 percent of compensation, and the employer may choose to make these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earnings.

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My Choice: Retirement Savings Plan for Public Employees (My Choice) is for members who are full-time employees of the State of Indiana or a participating political subdivision that elected to become members of My Choice. Member contributions are set by statute at 3 percent of compensation, plus these members may receive additional employer contributions in lieu of the Public Employees' Defined Benefit Account. IEDC does not currently offer My Choice to any of its employees. Members are 100 percent vested in all member contributions and vest in employer contributions in increments of 20% for each full year of service until 100% is reached at 5 years.

Investments are self-directed, members may make changes daily, and investments are reported at fair value. Market risk is assumed by the member, and the member may choose among the following eight investment options with varying degrees of risk and return potential: Stable Value Fund, Large Cap Equity Index Fund, Small/Mid Cap Equity Fund, International Equity Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Target Date Funds, and Money Market Fund.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.inprs.in.gov/>.

Significant Actuarial Assumptions

The total pension liability is determined by INPRS actuaries as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

Asset valuation date:	June 30, 2020
Liability valuation date and method:	June 30, 2019 - Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2019 to June 30, 2020.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Period of four years ended June 30, 2019
Investment rate of return:	6.75%
Cost of living adjustment:	In lieu of a COLA on January 1, 2021, members in pay were provided a 13th check on October 1, 2020. Thereafter, the following COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2022 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039
Projected salary increases:	2.75% - 8.75%
Inflation:	2.25%
Mortality:	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019.

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted-average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	22.0%	4.4%
Private equity	14.0%	7.6%
Fixed income - ex inflation linked	20.0%	1.9%
Fixed income - inflation linked	7.0%	0.5%
Commodities	8.0%	1.6%
Real estate	7.0%	5.8%
Absolute return	10.0%	2.9%
Risk parity	12.0%	5.5%
	100.0%	

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Total pension liability for the Plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the Plan.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of the Plan calculated using the discount rate of 6.75 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 5,623,024	\$ 3,448,988	\$ 1,628,057

Investment Valuation and Benefit Payment Policies

The pooled and nonpooled investments are reported at fair value by INPRS.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest from inactive, non-vested members' annuity savings accounts may be requested by members or auto-distributed by the fund when certain criteria are met.

Funding Policy

The State is obligated by statute to make contributions to the PERF Hybrid Plan or the My Choice Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the Plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the fiscal year ended June 30, 2021, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For the My Choice Plan, all participating employers were required to contribute a supplemental 7.1 percent.

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

At June 30, 2021, IEDC reported a liability of \$3,448,988 for its proportionate share of the net pension liability. IEDC's proportionate share of the net pension liability was based on the IEDC's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2020 measurement date was 0.0011419.

For the year ended June 30, 2021, the IEDC recognized pension expense of \$347,610, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$69,847. At June 30, 2021, the IEDC reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,106	\$ 46,307
Net difference between projected and actual earnings on pension plan investments	295,178	-
Changes in assumptions	-	718,625
Changes in proportion and differences between the IEDC's contributions and proportionate share contributions	108,142	158,024
IEDC's contributions subsequent to the measurement date	566,525	-
Total	<u>\$ 1,030,951</u>	<u>\$ 922,956</u>

The IEDC reported \$566,525 as deferred outflows of resources that will be recognized as a reduction of the net pension liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

2022	\$ (305,066)
2023	(180,829)
2024	(98,016)
2025	<u>125,381</u>
Total	<u>\$ (458,530)</u>

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Note 7: Operating Leases

The IEDC leases office space under noncancelable 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, 2021:

2022		\$		291,957
2023				52,275
2024				9,262
2025				9,494
				9,494
Total future minimum payments		\$		362,988

In addition to the minimum lease payments, the IEDC is required to pay a proportional share of operating costs. The aggregate rental expense was \$320,654 for the year ended June 30, 2021.

Note 8: Tax Abatements

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

- Alternative Fuel Vehicle Manufacturing Investment Credit
- Headquarters Relocation Credit
- Coal Gasification Technology Investment Credit
- Hoosier Business Investment Credit
- Community Revitalization Enhancement District Credit
- Industrial Recovery Credit
- Economic Development for Growing Economy (EDGE) Credit
- Research Expense Credit
- Enterprise Zone Investment Cost Credit
- Riverboat Building Tax Credit
- Venture Capital Investment Credit
- Capital Investment Credit

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Alternative Fuel Vehicle Manufacturing Investment Credit: The Alternative Fuel Vehicle Manufacturing Investment Credit is created by IC 6-3.1-31.9. This program was created to foster job creation and higher wages, reduce dependency upon energy sources imported into the United States, and reduce air pollution as a result of the manufacture or assembly of alternative fuel vehicles in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the IEDC and may not exceed 15% of the taxpayer's qualified investment. Qualified investment is defined as the amount of a taxpayer's expenditures in Indiana that are reasonable and necessary for the manufacture or assembly of alternative fuel vehicles. In order to award a tax credit under this program, the IEDC must determine the following conditions exist, the applicant's project will raise the total earnings of employees of the applicant in Indiana; the applicant's project is economically sound and will benefit the people of Indiana by increasing opportunities for employment and strengthening the economy of Indiana; the manufacture or assembly of alternative fuel vehicles by the applicant will reduce air pollution; the manufacture or assembly of alternative fuel vehicles by the applicant will reduce dependence by the United States on foreign energy sources; receiving the tax credit is a major factor in the applicant's decision to go forward with the project; awarding the tax credit will result in an overall positive fiscal impact to the state, as certified by the budget agency using the best available data; the credit is not prohibited by the relocation of jobs from one location in Indiana to another location in Indiana; the average wage that will be paid by the taxpayer to its employees (excluding highly compensated employees) at the location after the credit is given will be at least equal to one hundred fifty percent (150%) of the hourly minimum wage under IC 22-2-2-4 or its equivalent. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-31.9. The State has made no other commitments other than to reduce the applicable taxes as part of this program. This program expired effective December 31, 2016, and the Indiana Economic Development Corporation may no longer award this credit.

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Coal Gasification Technology Investment Credit: The Coal Gasification Technology Investment Credit is created by IC 6-3.1-29. This program was created to foster job creation and higher wages, reduce air pollution as a result of the generation of electricity through fossil fuels, and promote investment in integrated coal gasification power plants and fluidized bed combustion technology. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, insurance premiums tax liability, or utility receipts tax. The credit must be claimed on the taxpayer's annual state income tax return or returns filed with the Indiana Department of Revenue. The credit is administered by the Indiana Economic Development Corporation (IEDC) and is for a qualified investment in an integrated coal gasification power plant equal to the sum of 10% of the taxpayer's qualified investment for the first \$500,000,000 invested; 5% of the taxpayer's qualified investment that exceeds \$500,000,000, only if the facility is dedicated primarily to serving Indiana retail electric or gas utility consumers. For qualified investment in fluidized bed combustion technology, the credit is equal to the sum of 7% of the taxpayer's qualified investment for the first \$500,000,000 invested; 3% of the taxpayer's qualified investment that exceeds \$500,000,000. Qualified investment is defined as a taxpayer's expenditures for all real and tangible personal property incorporated in and used as part of an integrated coal gasification power plant or a fluidized bed combustion technology and transmission equipment and other real and personal property located at the site of an integrated coal gasification power plant or a fluidized bed combustion technology that is employed specifically to serve the integrated coal gasification power plant or fluidized bed combustion technology. In order to award a tax credit under this program, the IEDC must determine the taxpayer's proposed investment satisfies the requirements of IC 6-3.1-29. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-29. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

Community Revitalization Enhancement District Credit: The Community Revitalization Enhancement District Credit is created by IC 6-3.1-19. This program was created to incentivize the redevelopment and revitalization of property located within a community revitalization enhancement district. This program provides a credit against a taxpayer's adjusted gross income tax, county adjusted gross income tax, county option income tax, county economic development income tax, financial institutions tax, or insurance premiums tax liability. The credit is administered by the IEDC and may not exceed 25% of the taxpayer's qualified investment. To receive the credit provided by this program, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the Indiana Department of State Revenue (IDOR). The taxpayer shall submit to the IDOR all information that the department determines is necessary for the calculation of the credit provided by this chapter and for the determination of whether an expenditure was for a qualified investment. Qualified investment is defined as the amount of a taxpayer's expenditures for redevelopment or rehabilitation of property located within a community revitalization enhancement district designated under IC 36-7-13, made under a plan adopted by an advisory commission on industrial development under IC 36-7-13, and approved by the IEDC prior to the credit being made. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or any of the provisions within IC 6-3.1-19. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

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

Enterprise Zone Investment Cost Credit: The Enterprise Zone Investment Cost Credit is created by IC 6-3.1-10. This program was created to incentivize investment enterprise zones created under IC 5-28-15. This program provides a credit against a taxpayer's adjusted gross income tax. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the IEDC and may not exceed 30% of the taxpayer's qualified investment. Qualified investment is defined as the purchase of an ownership interest in a business located in an enterprise zone if the purchase is approved by the IEDC. In order to award a credit under this program, the IEDC must determine whether a purchase of an ownership interest in a business located in an enterprise zone is a qualified investment. The IEDC shall also determine that a purchase is a qualified investment if the business is viable; the business has not been disqualified from enterprise zone incentives or benefits under IC 5-28-15; the taxpayer has a legitimate purpose for the purchase of the ownership interest; the purchase would not be made unless a credit is allowed under this chapter; and the purchase is critical to the commencement, enhancement, or expansion of business operations in the zone and will not merely transfer ownership, and the purchase of proceeds will be used only in business operations in the enterprise zone. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or any of the provisions within IC 6-3.1-10. The State has made no other commitments other than to reduce the applicable taxes as part of this program. In order to receive a tax credit, the taxpayer must commit to purchase an ownership interest in a business located in an enterprise zone. The Enterprise Zone Investment Cost Credit expired effective December 31, 2017 and the IEDC may no longer award this credit.

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Headquarters Relocation Credit: The Headquarters Relocation Credit is created by IC 6-3.1-30. This program was created to incentivize businesses to relocate their corporate headquarters from their current domicile to Indiana. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the IEDC and may not exceed 50% of the taxpayer's relocation costs incurred in the taxable year. Relocation costs are defined as reasonable and necessary expenses incurred by an eligible business for a qualifying project, including moving costs and related expenses, the purchase of new or replacement equipment, capital investment costs, property assembly and development costs, including the purchase, lease, or construction of buildings and land, infrastructure improvements, and site development costs. Relocation costs do not include any costs that do not directly result from the relocation of the business to a location in Indiana. A qualifying project is defined as the relocation of the corporate headquarters of an eligible business from a location outside Indiana to a location in Indiana. In order to qualify for the credit, a taxpayer must be engaged in either interstate or intrastate commerce, maintain a corporate headquarters at a location outside Indiana, has not previously maintained a corporate headquarters at a location in Indiana, had annual worldwide revenues of at least \$50,000,000 for the taxable year immediately preceding the business's application for the tax credit, commits contractually to relocating its corporate headquarters to Indiana, and employ a minimum of 75 employees within Indiana. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or any of the provisions within IC 6-3.1-30. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

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Hoosier Business Investment Credit: The Hoosier Business Investment Credit is created by IC 6-3.1-26. This program was created to foster job creation and create higher wages in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the IEDC and may not exceed 10% of the taxpayer's qualified investment in a taxable year for qualified investment that is not a logistics investment and 25% of the qualified investment made in a taxable year if the qualified investment is a logistics investment. Qualified investment is defined as the amount of the taxpayer's expenditures in Indiana for the purchase of new telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution equipment; the purchase of new computers and related equipment; costs associated with the modernization of existing telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution facilities; onsite infrastructure improvements; the construction of new telecommunications, production, manufacturing, fabrication, assembly, extraction, mining, processing, refining, finishing, distribution, transportation, or logistical distribution facilities; costs associated with retooling existing machinery and equipment; costs associated with the construction of special purpose building and foundations for use in the computer, software, biological sciences, or telecommunications industry; costs associated with the purchase of machinery, equipment or special purpose buildings used to make motion pictures or audio productions; and a logistics investment as further described in IC 6-3.1-26-8.5 that are certified by the IEDC under this chapter as being eligible for the credit. The term does not include property that can be readily moved outside Indiana. In order to award a tax credit under this program, the IEDC must determine the following conditions exist, the applicant's project will raise the total earnings of employees of the applicant in Indiana or substantially enhance the logistics industry by creating new jobs, preserving existing jobs that otherwise would be lost, increasing wages in Indiana, or improving the overall Indiana economy, in the case of a logistics investment being claimed by the applicant; the applicant's project is economically sound and will benefit the people of Indiana by increasing opportunities for employment and strengthening the economy of Indiana; receiving the tax credit is a major factor in the applicant's decision to go forward with the project and not receiving the tax credit will result in the applicant not raising the total earnings of the applicant's employees in Indiana, or other employees in Indiana in the case of a logistics investment being claimed by the applicant; awarding the tax credit will result in an overall positive fiscal impact to the state, as certified by the budget agency using the best available data; the credit is not prohibited by the relocation of jobs from one location in Indiana to another location in Indiana; in the case of a qualified investment that is not being claimed as a logistics investment by the applicant, the average wage that will be paid by the taxpayer to its employees (excluding highly compensated employees) at the location after the credit is given will be at least equal to one hundred fifty percent (150%) of the hourly minimum wage under IC 22-2-2-4 or its equivalent. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-26. The State has made no other commitments other than to reduce the applicable taxes as part of this program. In order to receive a tax credit, the taxpayer must commit to the creation or retention of full-time, permanent jobs for Indiana residents at the project location and new capital investment in Indiana.

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Industrial Recovery Credit: The Industrial Recovery Credit is created by IC 6-3.1-11. This program was created to foster the rehabilitation of property located within an industrial recovery site. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the IEDC and may not exceed 15% for a plant that was in service at least fifteen years ago but less than thirty years ago, 20% for a plant that was placed in service at least thirty years ago but less than forty years ago, and 25% if a plant was placed in service at least forty years ago. Qualified investment is defined as the amount of the taxpayer's expenditures for rehabilitation of property located within an industrial recovery site. Rehabilitation is defined as the remodeling repair, or betterment of real property in any manner or enlargement or extension of real property. Plant is defined as a building or complex of buildings used, or designed and constructed for use, in production, manufacturing, fabrication, assembly, processing, refining, finishing, or warehousing of tangible personal property, whether the tangible personal property is or was for sale to third parties or for use by the owner in the owner's business. In order to award a tax credit under this program, the IEDC must consider the following factors; the level of distress in the surrounding community caused by the loss of jobs at the vacant industrial facility; evidence of support for the designation by residents, businesses, and private organizations in the surrounding community; evidence of a commitment by private or governmental entities to assist in the financing of improvements or redevelopment activities benefiting the vacant industrial facility; whether the industrial recovery site is within an economic revitalization area designated under IC 6-1.1-12.1. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-11. The State has made no other commitments other than to reduce the applicable taxes as part of this program. In order to receive a tax credit, the taxpayer must commit to new capital investment in Indiana within the statutory parameters.

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Research Expense Credit: The Research Expense Credit is created by IC 6-3.1-4. The program was created to incentivize research investment in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The program is administered by the IEDC, and the credit may be calculated one of two ways, listed below, as elected by the taxpayer. For Indiana qualified research expense incurred after December 31, 2007, the credit is equal to 15% of the Indiana qualified research expense less the taxpayer's base amount of Indiana qualified research expense, up to \$1,000,000. For qualified research expense in excess of \$1,000,000, the credit amount is equal to 10%. For Indiana qualified research expense incurred after December 31, 2009, the taxpayer's research expense tax credit is equal to 10% of the part of the taxpayer's Indiana qualified research expense for the taxable year that exceeds 50% of the taxpayer's average Indiana qualified research expense for the 3 taxable years preceding the taxable year for which the credit is being determined. If the taxpayer did not have Indiana qualified research expense in any 1 of the 3 taxable years preceding the taxable year for which the credit is being determined, the amount of the research expense tax credit is equal to 5% of the taxpayer's Indiana qualified research expense for the taxable year. Indiana qualified research expense is defined as qualified research expense that is incurred for research conducted in Indiana. Qualified research expense means qualified research expense as defined in Section 41(b) of the Internal Revenue Code. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-4. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

Riverboat Building Tax Credit: The Riverboat Building Tax Credit is created by IC 6-3.1-17. The program was created to incentivize the building or refurbishment of riverboats in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax, insurance premiums tax, financial institutions tax, and state gross retail and use tax liability. The credit must be claimed on the taxpayer's tax return or returns filed with the Indiana Department of Revenue. The credit is administered by the IEDC and is equal to 15% of the taxpayer's qualified investment. Qualified investment is defined as costs incurred to build or refurbish a riverboat in Indiana that are approved by the IEDC. In order to award a tax credit under this program, the IEDC must determine the costs are a qualified investment to the extent that the costs result from work performed in Indiana to rebuild or refurbish a riverboat and in taxable income to any other Indiana taxpayer. The amount of tax credits awarded under this program may not exceed one million dollars (\$1,000,000) in a state fiscal year. The State has made no other commitments other than to reduce the applicable taxes as part of this program. This tax credit was repealed effective January 1, 2015.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

Venture Capital Investment Credit: The Venture Capital Investment Credit is created by IC 6-3.1-24. This credit was created to improve access to capital for fast growing Indiana companies by providing individual and corporate investors an incentive to invest in early stage firms. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, insurance premiums tax, or state gross retail and use tax liability. The credit must be claimed on the taxpayer's state income tax return or returns filed with the Indiana Department of Revenue. The credit is administered by the IEDC and is equal to 20% of the taxpayer's qualified investment capital provided to the qualified Indiana business or \$1,000,000, whichever is less. Starting on January 1, 2022, the credit will be equal to 25% of the taxpayer's qualified investment capital, up to \$1,000,000 for qualified Indiana businesses, or 30% up to \$1,500,000 for qualified Indiana businesses that are women- or minority-owned. Qualified Indiana business is defined as an independently owned and operated business that is certified as a qualified Indiana business by the IEDC. Qualified investment capital is defined as debt or equity capital that is provided to a qualified Indiana business. However, the term does not include debt that is provided by a financial institution (as defined in IC 5-13-4-10) after May 15, 2005 and is secured by a valid mortgage, security agreement, or other agreement or document that establishes a collateral or security position for the financial institution that is senior to all collateral or security interests of other taxpayers that provide debt or equity capital to the qualified Indiana business. In order to award a tax credit under this program, the IEDC must certify the taxpayer's proposed investment plan. The proposed investment plan must include the name and address of the taxpayer, the name and address of each proposed recipient of the taxpayer's proposed investment; the amount of the proposed investment; a copy of the certification issued by the IEDC stating the business being invested in is a qualified Indiana business, and any other information required by the IEDC. The IEDC must determine that the proposed investment would qualify for the taxpayer credit under this program, and the amount of proposed investment would not result in the total amount of tax credits certified for the calendar year exceeding \$12,500,000. The total amount of credits that may be approved by the IEDC for a calendar year may not exceed \$12,500,000. Starting on January 1, 2022, the total amount of credits that may be approved by the IEDC for a calendar year may not exceed \$20,000,000, with not more than \$7,500,000 set aside for a taxpayer's investment in a qualified Indiana investment fund. A qualified Indiana investment fund is certified by the IEDC and must have a substantial presence in Indiana. The credit is equal to 20% of the taxpayer's qualified investment capital, up to \$5,000,000. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-24. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Financial Statements
June 30, 2021

Capital Investment Credit: The Capital Investment Credit is created by IC 6-3.1-13.5. This credit was repealed effective January 1, 2014. This program was created to foster capital investment leading to job creation and higher wages in Indiana. This program provides a credit against a taxpayer's adjusted gross income tax, financial institutions tax, or insurance premiums tax liability. The credit must be claimed on the taxpayer's annual state income tax return filed with the Indiana Department of Revenue. The credit is administered by the IEDC and is equal to 14% of the taxpayer's qualified investment. Qualified investment is defined as the amount of a taxpayer's expenditures for the purchase of new manufacturing or production equipment; the purchase of new computers and related equipment; costs associated with the modernization of existing manufacturing facilities; onsite infrastructure improvements; the construction of new manufacturing facilities; costs associated with retooling existing machinery and equipment; and costs associated with the construction of special purpose buildings and foundations for use in the computer, software, biological sciences, or telecommunications industry; that are certified by the IEDC as being eligible for the credit, if the equipment, machinery, facilities improvements, facilities, buildings, or foundations are installed or used for a project having an estimated total cost of at least seventy-five million dollars (\$75,000,000) and in a county having a population of more than forty-three thousand (43,000) but less than forty-five thousand (45,000). In order to award the credit, the IEDC must determine the average wage paid by the taxpayer to its Indiana employees within the county in which the qualifying investment is made exceeds the average wage paid in that county; or the taxpayer certifies to the IEDC and provides proof as determined by the corporation that, as a result of the qualifying investment, the average wage paid by the taxpayer to its Indiana employees within the county in which the qualifying investment is made will exceed the average wage paid in that county. The tax credit will be recaptured if the IEDC determines the taxpayer is noncompliant with the requirements of the tax credit agreement or all of the provisions of IC 6-3.1-13.5. The State has made no other commitments other than to reduce the applicable taxes as part of this program.

REQUIRED SUPPLEMENTARY INFORMATION

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Required Supplementary Information
Schedule of the Corporation's Proportionate Share of the Net Pension Liability
Indiana Public Employee's Retirement Fund (PERF)
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.11419%	0.11869%	0.11792%	0.10753%	0.08812%	0.08269%	0.92160%
Authority's proportionate share of the net pension liability	\$ 3,448,988	\$ 3,922,780	\$ 4,005,796	\$ 4,797,497	\$ 3,999,277	\$ 3,367,883	\$ 2,421,905
Authority's covered payroll	\$ 6,164,710	\$ 6,183,991	\$ 6,017,154	\$ 5,334,727	\$ 4,223,182	\$ 3,960,711	\$ 4,499,353
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	55.9%	63.4%	66.6%	89.9%	94.7%	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability (a)	81.4%	80.1%	78.9%	72.7%	71.2%	73.3%	81.1%

* The amounts presented for each fiscal year were determined as of June 30 for the prior year. Ten years of information is required to be disclosed and will be added as the information becomes available.

Notes to Schedule:

Benefit changes: No changes.

Changes of assumption: As a result of the 2014-2019 Experience Study completed in February 2020, the following changes were made: 1) The future salary increase assumption changed from an age-based table ranging from 2.50% to 4.25% to a service-based table ranging from 2.75% to 8.75%; 2) The mortality assumption changed from the RP-2014 Total Data Set Mortality Table to the Pub-2010 public Retirement Plans Mortality Plans; 3) The retirement assumption was updated to an age-based table dependent on eligibility for a reduced benefit or unreduced benefit. Additionally, for actives who are eligible for early retirement, 30% are assumed to commence benefits immediately and 70% are assumed to commence benefits at unreduced retirement eligibility (previously 33% and 67%, respectively); 4) The termination assumption tables for state members were combined from being split by salary and sex to being one unisex service-based table. For members in political subdivisions earning more than \$20,000, the sex-distinct tables were combined to one unisex service-based table, while members in political subdivisions earning less than \$20,000 maintained their sex-distinct age-based table and the rates were updated based on experience; 5) The disability assumption was updated based on recent experience; 6) The marital assumption was updated to assume 80% of male members and 65% of female members are married or have a dependent beneficiary (previously 75% and 60%, respectively); 7) The load placed on the final average earnings to account for additional wages received upon termination, such as severance or unused sick leave, decreased from \$400 to \$200.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Required Supplementary Information
Schedule of the Corporation's Contributions
Indiana Public Employee's Retirement Fund (PERF)
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Contractually determined contribution	\$ 659,043	\$ 659,921	\$ 659,659	\$ 583,387	\$ 478,865	\$ 466,060	\$ 503,928
Contributions in relation to the contractually required contribution	<u>659,043</u>	<u>659,921</u>	<u>659,659</u>	<u>583,387</u>	<u>478,865</u>	<u>466,060</u>	<u>503,928</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	6,164,710	6,183,991	6,017,154	5,334,727	4,223,182	3,960,711	4,499,353
Contributions as a percentage of covered payroll	10.7%	10.7%	11.0%	10.9%	11.3%	11.8%	11.2%

* The amounts presented for each fiscal year were determined as of June 30 for the prior year. Ten years of information is required to be disclosed and will be added as the information becomes available.

Notes to Schedule:

Benefit changes: No changes.

Changes of assumption: As a result of the 2014-2019 Experience Study completed in February 2020, the following changes were made: 1) The future salary increase assumption changed from an age-based table ranging from 2.50% to 4.25% to a service-based table ranging from 2.75% to 8.75%; 2) The mortality assumption changed from the RP-2014 Total Data Set Mortality Table to the Pub-2010 public Retirement Plans Mortality Plans; 3) The retirement assumption was updated to an age-based table dependent on eligibility for a reduced benefit or unreduced benefit. Additionally, for actives who are eligible for early retirement, 30% are assumed to commence benefits immediately and 70% are assumed to commence benefits at unreduced retirement eligibility (previously 33% and 67%, respectively); 4) The termination assumption tables for state members were combined from being split by salary and sex to being one unisex service-based table. For members in political subdivisions earning more than \$20,000, the sex-distinct tables were combined to one unisex service-based table, while members in political subdivisions earning less than \$20,000 maintained their sex-distinct age-based table and the rates were updated based on experience; 5) The disability assumption was updated based on recent experience; 6) The marital assumption was updated to assume 80% of male members and 65% of female members are married or have a dependent beneficiary (previously 75% and 60%, respectively); 7) The load placed on the final average earnings to account for additional wages received upon termination, such as severance or unused sick leave, decreased from \$400 to \$200.

Changes in actuarial methods: No changes.

OTHER INFORMATION

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Passed Through to Subrecipients	Expenditures Paid Directly by the Authority	Total Federal Expenditures
U.S. Department of Defense:				
Procurement Technical Assistance for Business Firms	12.002	\$ -	\$ 373,513	\$ 373,513
Total U.S. Department of Defense		<u>-</u>	<u>373,513</u>	<u>373,513</u>
U.S. Small Business Administration:				
Small Business Development Centers	59.037	1,236,159	963,455	2,199,614
Small Business Development Centers (COVID-19)	59.037	812,794	627,608	1,440,402
State Trade Expansion Program (STEP)	59.061	-	223,528	223,528
Total U.S. Small Business Administration		<u>2,048,953</u>	<u>1,814,591</u>	<u>3,863,544</u>
U.S. Treasury				
Coronavirus Relief Fund (COVID-19)				
Passed through the Indiana State Budget Agency (a)	21.019	-	190,929,658	190,929,658
		<u>-</u>	<u>190,929,658</u>	<u>190,929,658</u>
Total Expenditures of Federal Awards		<u>\$ 2,048,953</u>	<u>\$ 193,117,762</u>	<u>\$ 195,166,715</u>

(a) Pass-through Identifying Number: 260-COVIDRELIEF, 260-COVIDRSBRGP, and 260-COVIDMFRST

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Indiana Economic Development Corporation (IEDC) under programs of the federal government for the year ended June 30, 2021. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of IEDC, it is not intended to and does not present the financial position, changes in net position or cash flows of IEDC.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. IEDC has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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***

Independent Auditor's Report

Board of Directors
Indiana Economic Development Corporation
Indianapolis, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 and the Indiana Economic Development Foundation, Inc. (collectively, the IEDC), a component unit of the State of Indiana, and the related notes to the financial statements, which collectively comprise the IEDC's basic financial statements, and have issued our report thereon dated December 20, 2021..

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

IEDC's Response to Finding

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 it.

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 result 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.

BKD, LLP

Indianapolis, Indiana
December 20, 2021

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Indiana Economic Development Corporation
Indianapolis, Indiana

Report on Compliance for the Major Federal Program

We have audited Indiana Economic Development Corporation's (the IEDC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the IEDC's major federal program for the year ended June 30, 2021. The IEDC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the IEDC's major federal program 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the major federal program. However, our audit does not provide a legal determination of the IEDC's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2021.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
February 10, 2022

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. IEDC's major program was:

Federal Program	Federal Assistance Listing Number
Coronavirus Relief Fund	21.019

8. The threshold used to distinguish between Type A and Type B programs was \$3,000,000.

9. IEDC qualified as a low-risk auditee? Yes No

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2021-001	<p>Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition: IEDC’s finance department is primarily responsible for the financial reporting process. The financial records are maintained on a cash basis throughout the year, and the year-end closing process requires financial information to be captured that is only compiled and analyzed annually. This process is substantially completed by one individual within the finance department that was also heavily involved in the accounting and financial reporting for IEDC’s Coronavirus Relief Funds (CRF) in response to the pandemic. The IEDC’s internal control environment over financial reporting did not result in timely reconciliations of certain accounts or detect adjustments that were needed to prevent the financial statements from being misstated. (Significant Deficiency).</p> <p>Effect: Adjusting journal entries were recorded in the financial statements.</p> <p>Cause: IEDC’s internal control environment did not identify these adjustments in a timely manner due to the limited resources that the finance department has.</p> <p>Recommendation: We recommend that IEDC adjust their year-end process and cross-train individuals to ensure that not all of the responsibilities fall on one individual.</p> <p>Views of Responsible Officials and Planned Corrective Actions: As noted previously, IEDC has a relatively limited number of individuals available to meet its accounting and reporting needs. These resources were further stretched when IEDC was named as a primary facilitator for the State’s CRF, which totaled more than \$200 million. In an effort to ensure these CRF funds were deployed in an efficient and effective manner and with a sense of urgency to provide relief to Hoosiers, IEDC’s accounting team continued to spend considerable time during 2021 focused on those needs. The combination of the limited accounting staff and significant increase in demand for their time to account for CRF funds resulted in the audit adjustments noted above not being identified in a timely manner by the internal control environment over financial reporting. We do not anticipate such matters to be systemic in nature and are committed to avoiding future occurrences.</p> <p style="text-align: right;"><i>Persons responsible for implementing:</i> Robert Paglia, Senior Vice President and Chief Administrative Officer, and Georgia Chang, Controller</p> <p style="text-align: right;"><i>Anticipated completion date:</i> June 30, 2022</p>

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Findings Required to be Reported by the *Uniform Guidance*

Reference Number	Finding
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No matters are reportable.

Indiana Economic Development Corporation
(A Component Unit of the State of Indiana)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Summary of Finding	Status
2020-001	<p>Financial Reporting</p> <p>The IEDC’s finance department is primarily responsible for the financial reporting process. The financial records are maintained on a cash basis throughout the year, and the year-end closing process requires financial information to be captured that is only compiled and analyzed annually. At year end, IEDC identifies accrual basis entries on the fund and government-wide financial statements and provides entries to be recorded in the trial balance. In addition, this process is substantially completed by one individual within the finance department. During the 2020 audit, adjustments were recorded to prevent the financial statements from being misstated.</p>	Unresolved See Finding 2021-001