

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2017

**CASCIO & SCHMIDT, LLC
Certified Public Accountants**

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

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CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
New Orleans BioInnovation Center, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of New Orleans BioInnovation Center, Inc. and Subsidiary (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 controls 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

Opinion

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

Emphasis-of-Matter

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in Note B to the financial statements, the Corporation's operations resulted in a decrease in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plan in regards to this matter is also described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited New Orleans BioInnovation Center, Inc. and Subsidiary's consolidated financial statements, and our report dated December 1, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents, on pages 16 through 20, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompany schedule of expenditures of federal awards on pages 21 and 22, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, on our consideration of New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over financial reporting and compliance.

Cassio + Schmidt, LLC

Metairie, Louisiana
February 20, 2018

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017

	<u>June 30, 2017</u>	<u>Summarized Comparative Information June 30, 2016</u>
ASSETS		
Cash, including \$421,907 in money market accounts (Note C)	\$ 492,734	\$ 1,108,013
Cash, money market, restricted - loan program	1,149,976	1,192,850
Receivables (Notes A6, A7, A8)		
Notes receivable, less allowance for possible loan losses of \$279,533.	540,286	916,728
Grants receivable (Note D)	62,000	109,162
Other	45,699	46,873
 Property and Equipment - At cost (Notes A10 and F)	 39,698,089	 41,011,230
 Other Assets		
Investments (Notes A9 and E)	-	25,000
Deposits and prepaid expenses	<u>173,253</u>	<u>138,300</u>
 Total assets	 <u>\$ 42,162,037</u>	 <u>\$ 44,548,156</u>
 LIABILITIES		
Accounts payable	\$ 88,193	\$ 72,037
Rental deposits	67,185	56,286
Deferred revenue (Note G)	<u>1,588,367</u>	<u>1,954,009</u>
 Total liabilities	 1,743,745	 2,082,332
 COMMITMENTS (Note H)	 -	 -
 NET ASSETS (Notes A3 and A4)		
Unrestricted	625,468	1,185,815
Temporarily restricted	<u>39,792,824</u>	<u>41,280,009</u>
 Total net assets	 <u>40,418,292</u>	 <u>42,465,824</u>
 Total liabilities and net assets	 <u>\$ 42,162,037</u>	 <u>\$ 44,548,156</u>

The accompanying notes are an integral part of this statement.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>Summarized Comparative Information 2016</u>
REVENUE				
Grant appropriations	\$ -	\$ 246,852	\$ 246,852	\$ 366,722
Public support	422,934	-	422,934	445,140
Rental income	757,646	-	757,646	733,291
Other	213,155	-	213,155	75,620
Net assets released from restrictions	<u>1,734,037</u>	<u>(1,734,037)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>3,127,772</u>	<u>(1,487,185)</u>	<u>1,640,587</u>	<u>1,620,773</u>
EXPENSES				
Salaries and related benefits	1,248,277	-	1,248,277	1,178,594
Contract labor	2,010	-	2,010	2,865
Contract outside services	200,663	-	200,663	148,197
Consulting and other	64,513	-	64,513	126,309
Supplies	14,219	-	14,219	13,949
Telecommunications	49,165	-	49,165	47,679
Postage & shipping	229	-	229	555
Printing & copying	10,897	-	10,897	9,097
Books, subscriptions, reference	2,384	-	2,384	386
Rent	26,259	-	26,259	21,021
Utilities	283,770	-	283,770	256,990
Equipment rental & maintenance	254,098	-	254,098	235,891
Travel & meeting expenses	55,878	-	55,878	91,245
Equipment	26,231	-	26,231	6,330
Depreciation	1,313,141	-	1,313,141	1,386,900
Insurance	38,542	-	38,542	133,740
Membership dues	11,069	-	11,069	13,504
Outside computer services	32,626	-	32,626	39,368
Marketing expense	21,291	-	21,291	12,807
Grants to organizations	27,500	-	27,500	27,500
Other costs	<u>5,357</u>	<u>-</u>	<u>5,357</u>	<u>42,068</u>
Total Expenses	<u>3,688,119</u>	<u>-</u>	<u>3,688,119</u>	<u>3,794,995</u>
Increase (Decrease) in Net Assets	(560,347)	(1,487,185)	(2,047,532)	(2,174,222)
Net assets, beginning of year	<u>1,185,815</u>	<u>41,280,009</u>	<u>42,465,824</u>	<u>44,640,046</u>
Net assets, end of year	<u>\$ 625,468</u>	<u>\$ 39,792,824</u>	<u>\$ 40,418,292</u>	<u>\$ 42,465,824</u>

The accompanying notes are an integral part of this statement.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

	<u>June 30, 2017</u>	<u>Summarized Comparative Information June 30, 2016</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (2,047,532)	\$ (2,174,222)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,313,141	1,386,900
Changes in assets and liabilities:		
Decrease (increase) in receivables	424,788	228,358
Increase (decrease) in accounts payable	16,146	63,635
Decrease (increase) in deposits and prepaid expenses	(34,953)	(11,300)
Increase (decrease) in deferred revenue	(365,642)	(139,006)
Increase in rental deposits	10,899	(21,459)
Other	<u> -</u>	<u> -</u>
Net cash provided by operating activities	(<u>683,153</u>)	(<u>667,094</u>)
Cash flows from investing activities:		
Acquisition of investments	(233,517)	(25,000)
Loss on investments	283,517	-
Investments reclassified	(25,000)	-
Acquisition of furniture & equipment	<u> -</u>	(<u>35,506</u>)
Net cash (used) by investing activities	<u>25,000</u>	(<u>60,506</u>)
Net increase (decrease) in cash and cash equivalents	(658,153)	(727,600)
Cash and cash equivalents, beginning of year	<u>2,300,863</u>	<u>3,028,463</u>
Cash and cash equivalents, end of year	\$ <u>1,642,710</u>	\$ <u>2,300,863</u>
Supplemental Non-cash Investing and Financing Activities:	\$ -	\$ -

The accompanying notes are an integral part of this statement.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Principles of Consolidation

The consolidated financial statements include the accounts of New Orleans BioInnovation Center, Inc. and its wholly-owned subsidiary New Orleans BioFunding, LLC. , a for-profit corporation. All inter-company accounts and transactions have been eliminated.

2. Nature of Activities

The New Orleans BioInnovation Center, Inc. (the "Corporation") is a business incubator, with the primary purpose of creating and supporting jobs, primarily in the bioscience and environmental science areas. This mission is supported by leasing office and wet-lab space and providing free or low-cost business services to local life science start-up companies. The Corporation also periodically holds public business coaching seminars/workshops provided by members of the business community. In addition, the Corporation supplies capital to emerging companies in the Greater New Orleans area in the form of loans and equity investments. The Corporation's activities are intended to foster economic development through the creation of new jobs, diversification of the local economy, and revitalization of an economically depressed area of the City of New Orleans. It is located in its 66,000 square foot facility located at 1441 Canal Street in downtown New Orleans.

The Corporation may also develop and manage other properties within the bio-medical corridor. Preliminary planning for a second facility is currently underway.

The Corporation is a private, non-profit entity that shall not be deemed to be a public or quasi-public corporation or an administrative unit, public servant, employee or agent of any institution of higher education for any purpose whatsoever, because the Corporation is organized and shall be operated for the principal purpose of supporting one or more programs, facilities or research or educational opportunities offered by Louisiana State University Health Sciences Center, Tulane University Health Sciences Center, Xavier University, the University of New Orleans, and the community at large.

The New Orleans BioInnovation Center, Inc. is organized and constituted as a nonprofit corporation exempt from income taxation under and in accordance with the provisions of Section 501 (c)(3) of the Internal Revenue Code and the Nonprofit Corporation Law of the State of Louisiana, La.Rev.Stat. 12:201-269. New Orleans BioInnovation Center has entered into a Cooperative Endeavor Agreement with the State of Louisiana through its Division of Administration/Office of Community Development to receive loan funds in order to provide loans and equity investments in an attempt to encourage private and philanthropic investments,

**NEW ORLEANS BIOINNOVATION CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Nature of Activities - continued

diversify the economy, and extend opportunities to community-based start-up and early stage and innovative businesses. A wholly owned subsidiary, New Orleans BioFunding, LLC., was formed to originate and service the loan and equity portfolio.

3. Financial Statement Presentation

The Corporation's consolidated financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2017.

4. Revenue Recognition

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions."

Grant, contract and rental revenue is recognized as earned in accordance with approved contracts and leases.

5. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Corporation considers all investments with original maturities of three months or less to be cash equivalents.

6. Notes Receivable

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on Phase 1 loans range from 5.25% to 7.25%, and interest on Phase 2 loans are at WSJ Prime, plus 100 to 225 basis points.

Loans are provided as explained in Note A-2, in accordance with the provisions of the Cooperative Endeavor Agreement.

Management reviews the loan portfolio to determine the existence of and extent to which there is any doubt regarding collectability.

At New Orleans BioInnovation Center's option, in the event that a loan becomes uncollectible, such loan may be assigned to the Louisiana Office of Community Development for collection.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

7. Provision and Allowance for Loan Losses

The financial statements are prepared in accordance with FASB ASC 310. The allowance for possible loan losses is maintained to provide for possible losses inherent in the loan portfolio. Management determines the appropriate level of reserve to be maintained based on an analysis of the portfolio and evaluation of economic factors. Provision for loan losses are recognized by a charge to Deferred loan revenue, in accordance with the provisions of the Corporative Endeavor Agreement. Such factors as loan growth, the future collectibility of loans and the amounts and timing of future cash flows expected to be received on impaired loans are uncertain, therefore the level of future provisions generally cannot be predicted.

The allowance for possible loan losses for the year ended June 30, 2017 and June 30, 2016 was \$279,533.

8. Grant Receivable

The Corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

9. Investments

Investments are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in the FASB ASC 958-320, Investments-Debt and Equity Securities. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Dividends, interest and other investment income is recorded as increases in unrestricted net assets unless the use is restricted by the donor. Donated investments are recorded at fair value at the date of receipt.

10. Property and Equipment

New Orleans BioInnovation Center, Inc. and Subsidiary capitalize, at cost, all furniture and equipment in excess of \$5,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

11. Estimates

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

12. Fair Values of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

13. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (February 20, 2018).

14. Summarized Comparative Information

Summarized Comparative Information is presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles.

NOTE B - CONTINGENCY - GOING CONCERN

As shown in the accompanying financial statements, the operations of the Corporation resulted in a decrease in net assets of \$2,047,532 during the year ended June 30, 2017, and is continuing into the next year. That factor creates an uncertainty about the Corporation's ability to continue as a going concern. Management of the Corporation has evaluated the conditions and has proposed a plan, in the following paragraph.

State funding for the BioInnovation Center was eliminated in the Governor's 2015/2016 budget. This funding constituted roughly one-third of the Corporation's operating budget and has forced the Bioinnovation Center to reevaluate its business model. In 2016, the Board of Directors adopted in a strategic plan that called for a diversification of the Corporation's income stream. The management of the Bioinnovation Center has been implementing this strategic plan since its adoption and has taken several steps, including the hiring of a Development Director, the creation of an Advisory Board, and working with its university partners as a way to provide funding for operations. Management will continue the implementation of its strategic plan and expect these initiatives to provide ongoing support for the Corporation.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2017

NOTE B - CONTINGENCY - GOING CONCERN - Continued

The ability of the Corporation to continue as a going concern and meet its obligations as they become due is dependent on management's ability to successfully implement the plan. The financial statements do not include any adjustments that might be necessary if the Corporation is unable to continue as a going concern.

NOTE C - CONCENTRATION OF CREDIT RISK

At June 30, 2017, the unsecured cash balances consist of the following:

Bank balances	\$ 1,677,325
Less FDIC insurance	<u>500,000</u>
Unsecured cash balances	\$ <u>1,177,325</u>

NOTE D - GRANTS RECEIVABLE

Grants receivable at June 30, 2017, consist of the following:

Louisiana Economic Development Administration (LED -SEBD)	\$ 10,000
LSU - HSC (Research & Technology)	<u>52,000</u>
	\$ <u>62,000</u>

NOTE E - INVESTMENTS

As of June 30, 2017, New Orleans BioFunding, LLC., the Subsidiary, has acquired investments consisting of preferred stock and convertible instruments of companies in the loan program, as follows:

Convertible promissory note	\$ 50,000
Security agreement for future equity	50,000
Preferred stock	<u>183,517</u>
Total	\$ <u>283,517</u>

Generally accepted accounting principles require that investments be presented at fair value. The investments are with companies in the initial stage of development, and show the promise of growth in the local area. The companies are also working with the universities in New Orleans using university based technology to develop viable products. The fair value of the investments in these companies are considered to be zero at June 30, 2017, the loss on the investments was charged to Deferred Revenue - Miscellaneous Receipts, in accordance with the provisions of the Cooperative Endeavor Agreement.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2017

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2017:

Building	\$ 45,247,408
Furniture and equipment	<u>1,514,522</u>
	46,761,930
Less accumulated depreciation	<u>7,063,841</u>
	<u>\$ 39,698,089</u>

The building is on land leased from Louisiana State University, which has a reversionary interest in the building. See Note H.

Depreciation expense for the year amounted to \$1,313,141.

NOTE G - DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2017:

New Orleans BioFunding, LLC	
Loan revenue	\$ 132,626
Miscellaneous receipts	<u>1,455,741</u>
	<u>\$ 1,588,367</u>

NOTE H - LEASE AGREEMENT

Louisiana State University (LSU) owns the land located at 1441 Canal Street, New Orleans. New Orleans BioInnovation Center, Inc.(NOBIC) entered into a lease agreement with LSU December 13, 2002 for a primary term of 20 years and options to renew the lease for two 10 year periods. Rental payments stated in the First Lease Amendment dated April 11, 2016, provides for \$800 a month commencing upon substantial completion of construction and acceptance for occupancy by NOBIC. The rental rates for renewal option periods provided for by the Renovation Lease shall be calculated by first determining the value of the land as follows: capitalizing the net operating income for the project for the year preceding the exercise of the option at ten percent, and attributing twenty percent of the value so derived to the land; and, second, applying, ten percent of the land value so determined as the annual rent for the renewal period. Louisiana State University has a reversionary interest in the building.

Rental expense for the year ended June 30, 2017 amounted to \$9,600.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2017

NOTE I - TENANT LEASES

The Corporation leases office and laboratory facilities to tenants under operating leases. The leases are for an initial term of one year, with an option to renew. Lease revenue for the year ended June 30, 2017 amounted to \$757,646.

NOTE J - INCOME TAXES

New Orleans BioInnovation Center, Inc. is exempt from corporate income taxes under Section 501 (c)(3) of the Internal Revenue Code.

New Orleans BioInnovation Center, Inc. has adopted the provision of FASB ASC 740-10-25, which requires a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The organization does not believe its financial statements include any uncertain tax positions.

NOTE K - FUNCTIONAL EXPENSES

Functional expenses for the year ended June 30, 2017 are as follows:

Program Services	
Business services and support	\$ 468,360
Incubator facilities	2,232,901
Loan program	<u>274,761</u>
	2,976,022
Support services	
Management and general	<u>712,097</u>
Total	\$ <u>3,688,119</u>

NOTE L - MARKETING EXPENSES

The Company expenses marketing expenses as incurred. Marketing expense was \$21,291 for the year June 30, 2017.

NOTE M - RETIREMENT PLAN

The Corporation sponsors a defined contribution plan. All full-time employees are eligible upon date of hire, however, participation is voluntary. The Corporation contributes to the plan an amount equal to 100% of the employee’s contribution, limited to 3% of the employee’s salary. The contribution rate remained unchanged from the prior year. The pension expense for the year ended June 30, 2017 amounted to \$25,193.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2017

NOTE N - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 consist of the following:

Grants receivable	\$ 62,000
Building and equipment	39,698,089
Loan program (net assets)	<u>32,735</u>
	<u>\$ 39,792,824</u>

NOTE O - ECONOMIC DEPENDENCY

The Corporation receives the majority of its revenue from building rents and some government grants. If the amount of building rents are reduced significantly, there could be an adverse impact on the operations of the Corporation. See Note B.

NOTE P - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2017.

SUPPLEMENTAL INFORMATION

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2017

	<u>BioInnovation</u>	<u>BioFunding</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash	\$ 478,103	\$ 1,164,607	\$ -	\$ 1,642,710
Receivables				
Notes receivable	-	540,286	-	540,286
Grants receivable	62,000	-	-	62,000
Other	<u>129,490</u>	<u>7,907</u>	<u>(91,698)</u>	<u>45,699</u>
	669,593	1,712,800	(91,698)	2,290,695
Property and Equipment	39,698,089	-	-	39,698,089
Other Assets				
Investments	-	-	-	-
Deposits and prepaid expenses	<u>173,253</u>	<u>-</u>	<u>-</u>	<u>173,253</u>
Total assets	<u>\$ 40,540,935</u>	<u>\$ 1,712,800</u>	<u>\$ (91,698)</u>	<u>\$ 42,162,037</u>
LIABILITIES				
Accounts payable	\$ 88,193	\$ 91,698	\$ (91,698)	\$ 88,193
Rental deposits	67,185	-	-	67,185
Deferred revenue	<u>-</u>	<u>1,588,367</u>	<u>-</u>	<u>1,588,367</u>
Total liabilities	155,378	1,680,065	(91,698)	1,743,745
NET ASSETS				
Unrestricted	625,468	-	-	625,468
Temporarily restricted	<u>39,760,089</u>	<u>32,735</u>	<u>-</u>	<u>39,792,824</u>
Total net assets	<u>40,385,557</u>	<u>32,735</u>	<u>-</u>	<u>40,418,292</u>
Total liabilities and net assets	<u>\$ 40,540,935</u>	<u>\$ 1,712,800</u>	<u>\$ (91,698)</u>	<u>\$ 42,162,037</u>

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	<u>BioInnovation</u>	<u>BioFunding</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE				
Grant appropriations	\$ 292,854	\$ -	\$ (46,002)	\$ 246,852
Public support	415,068	7,866	-	422,934
Rental income	757,646	-	-	757,646
Loan program income	-	133,015	-	133,015
Other	<u>73,142</u>	<u>6,998</u>	<u>-</u>	<u>80,140</u>
Total Revenue	<u>1,538,710</u>	<u>147,879</u>	<u>(46,002)</u>	<u>1,640,587</u>
EXPENSES				
Salaries and related expenses	1,077,064	171,213	-	1,248,277
Contract labor	2,010	-	-	2,010
Contract outside services	180,409	20,254	-	200,663
Consulting and other	64,513	-	-	64,513
Supplies	11,066	3,153	-	14,219
Telecommunications	47,368	1,797	-	49,165
Postage & shipping	215	14	-	229
Printing & copying	9,998	899	-	10,897
Books, subscriptions, reference	2,384	-	-	2,384
Rent	26,259	-	-	26,259
Utilities	283,770	-	-	283,770
Equipment Rental & maintenance	247,354	6,744	-	254,098
Travel & meeting expenses	37,555	18,323	-	55,878
Equipment	26,231	-	-	26,231
Depreciation	1,313,141	-	-	1,313,141
Insurance	38,243	299	-	38,542
Membership dues	8,569	2,500	-	11,069
Outside computer services	30,791	1,835	-	32,626
Marketing expense	21,209	82	-	21,291
Grants to organizations	27,500	-	-	27,500
Management fees	-	46,002	(46,002)	-
Other costs	<u>3,711</u>	<u>1,646</u>	<u>-</u>	<u>5,357</u>
Total Expenses	<u>3,459,360</u>	<u>274,761</u>	<u>(46,002)</u>	<u>3,688,119</u>
Increase (Decrease) in Net Assets	(1,920,650)	(126,882)	-	(2,047,532)
Net assets, beginning of year	<u>42,306,207</u>	<u>159,617</u>	<u>-</u>	<u>42,465,824</u>
Net assets, end of year	<u>\$ 40,385,557</u>	<u>\$ 32,735</u>	<u>\$ -</u>	<u>\$ 40,418,292</u>

NEW ORLEANS BIOFUNDING, LLC

BALANCE SHEET

June 30, 2017

ASSETS

Cash	\$ 2,782	
Cash, money market, unrestricted	17,212	
Cash, money market, restricted	1,144,613	
Notes receivable, less allowance for possible loan losses of \$279,533	540,286	
Receivable, other	7,907	
Investments	<u>-</u>	
Total assets		\$ <u>1,712,800</u>

LIABILITIES AND NET WORTH

Accounts payable		\$ 91,698
Deferred revenue		
Loan revenue	\$ 132,626	
Miscellaneous Receipts	<u>1,455,741</u>	1,588,367
Net worth		<u>32,735</u>
Total liabilities and net worth		\$ <u>1,712,800</u>

NEW ORLEANS BIOFUNDING, LLC

STATEMENT OF INCOME

Year ended June 30, 2017

Income		
Miscellaneous Receipts	\$ 133,015	
Contributions	7,866	
Miscellaneous income	<u>6,998</u>	
		\$ 147,879
Expenses		
Salaries and related expenses	171,213	
Contract services	20,254	
Management fees	46,002	
Supplies	3,153	
Telecommunications	1,797	
Postage and shipping	14	
Printing and copying	899	
Facilities and equipment	6,744	
Travel and meeting expenses	18,323	
Insurance	299	
Membership dues	2,500	
Outside computer services	1,835	
Marketing expense	82	
Other costs	<u>1,646</u>	
		<u>274,761</u>
Net Income (loss)		\$ <u>(126,882)</u>

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

For the year ended June 30, 2017

Agency Head Name: Aaron Miscenich

Purpose

Amount

No payments were made with public funds.

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

<u>PROGRAM TITLE</u>	<u>PASS THROUGH GRANTOR CONTRACT #</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State of Louisiana - Louisiana Office of Community Development, Disaster Recovery Unit			
Innovative Loan Program	711148	14.228	\$ <u>819,819</u>
Total U.S. Department of Housing and Urban Development			<u>819,819</u>
U.S. DEPARTMENT OF COMMERCE			
Louisiana Life Sciences Technology Commercialization Center (EDA - I6 Grant)			
		11.020	129,675
Passed through Louisiana State University Health Sciences Center			
Center for Bioscience Research Innovation and Commercialization	14-17-109	11.307	<u>21,179</u>
Total U.S. Department of Commerce			<u>150,854</u>
U.S. SMALL BUSINESS ADMINISTRATION			
Growth Accelerator Fund Competition		59.065	<u>50,000</u>
Total U. S. Small Business Administration			<u>50,000</u>
Total Federal Awards			\$ <u>1,020,673</u>

**NEW ORLEANS BIOINNOVATION CENTER, INC.
AND SUBSIDIARY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

For the year ended June 30, 2017

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Orleans BioInnovation and Center, Inc. and Subsidiary under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Par 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 New Orleans BioInnovation and Center, Inc. and Subsidiary it is not intended to and does not present the financial position, changes in net assets or cash flow of New Orleans BioInnovation and Center, Inc. and Subsidiary.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

3. Indirect Cost Rate

New Orleans BioInnovation and Center, Inc. and Subsidiary has not elected to use the 10% de minimis indirect cost rate.

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
New Orleans BioInnovation Center, Inc. and Subsidiary

We have audited, in accordance with the 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 New Orleans BioInnovation Center, Inc. and Subsidiary (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, and cash flows and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements we considered New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Orleans BioInnovation Center, Inc. and Subsidiary'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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in the internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Orleans BioInnovation Center, Inc. and Subsidiary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001..

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Standards Auditing* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for an other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Cassio + Schmidt, LLC

Metairie, Louisiana
February 20, 2018

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
New Orleans BioInnovation Center, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited New Orleans BioInnovation Center, Inc. and Subsidiary's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of New Orleans BioInnovation Center, Inc. and Subsidiary's major federal programs for the year ended June 30, 2017. New Orleans BioInnovation Center, Inc. and Subsidiary's major federal programs are 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 the requirements of federal statutes, regulations, contracts, 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 each of New Orleans BioInnovation Center, Inc. and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Those standards and the Uniform Standards 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 New Orleans BioInnovation Center, Inc. and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Orleans BioInnovation Center, Inc. and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion New Orleans BioInnovation Center, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of New Orleans BioInnovation Center, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance of requirements referred to above. In planning and performing our audit of compliance, we considered New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate to the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Standards, 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 New Orleans BioInnovation Center, Inc. and Subsidiary's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. 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.

Purpose of the Report

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.

Cassio & Schmidt, LLP

Metairie, Louisiana
February 20, 2018

**NEW ORLEANS BIOINNOVATION CENTER, INC .
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2017

A. SUMMARY OF THE AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- | | | |
|---|--------------|-------------|
| • Material weakness(es) identified? | ___ yes | <u>X</u> no |
| • Significant deficiency(ies) identified? | ___ yes | <u>X</u> no |
| Noncompliance material to financial statements noted? | <u>X</u> yes | ___ no |

Federal Awards

Internal control over major programs:

- | | | |
|---|---------|------------------------|
| • Material weakness(es) identified? | ___ yes | <u>X</u> no |
| • Significant deficiency(ies) identified? | ___ yes | <u>X</u> none reported |

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a).

___ yes X no

The program tested as a major program is:

U. S. Department of Housing and Urban Development
Passed through Louisiana Office of Community Development,
Disaster Recovery Unit

Innovation Loan and Technical Assistance Program (CFDA # 14.228)

The threshold for distinguishing Type A and Type B programs was \$750,000.

Auditee qualified as a low-risk auditee.

___ yes X no

**NEW ORLEANS BIOINNOVATION CENTER, INC .
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued

For the year ended June 30, 2017

B. FINANCIAL STATEMENT AUDIT

**COMPLIANCE
2017-001 LATE SUBMISSION, REPORT**

The report was not submitted to the Louisiana Legislative Auditor within six months of the year end, as required.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no items identified in the course of testing during the current year required to be reported.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.

Corrective Action Plan

2017-1 Late Submission of Report

The financial statements will be filed timely to the Louisiana Legislative Auditor in future years.