

Cyberspace Innovation Center, Incorporated

Financial Statements

As of and for the Years Ended December 31, 2020 and 2019

Cyberspace Innovation Center, Incorporated

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Independent Auditors' Report

To the Board of Directors
Cyberspace Innovation Center, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Cyberspace Innovation Center, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cyberspace Innovation Center, Incorporated, as of December 31, 2020 and 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to agency head on page 16 and the schedule of expenditures of federal awards on page 17, 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, are presented for purposes of additional analysis and are 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2021, on our consideration of Cyberspace Innovation Center, Incorporated'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 Cyberspace Innovation Center, Incorporated'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 Cyberspace Innovation Center, Incorporated's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 18, 2021

Cyberspace Innovation Center, Incorporated
 Statements of Financial Position
 December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,795,829	\$ 3,720,362
Accounts receivable	121,049	60,710
Grants and contracts receivable	1,024,421	1,299,309
Prepaid expenses	87,943	85,976
Total current assets	7,029,242	5,166,357
Noncurrent assets:		
Property and equipment, net	5,205,469	4,422,556
Total Assets	\$ 12,234,711	\$ 9,588,913
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 485,220	\$ 149,106
Deferred revenue	245,026	86,758
Total current liabilities	730,246	235,864
Net assets		
Without donor restrictions	11,504,465	9,353,049
Total net assets	11,504,465	9,353,049
Total Liabilities and Net Assets	\$ 12,234,711	\$ 9,588,913

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated
Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions
Revenues and other support:	
Contractual revenue-grants	\$ 14,621,476
Lease income	1,111,717
Registration income	22,006
Interest income	11,551
Other	108,885
Total revenues, gains, and support	15,875,635
Operating expenses:	
Supporting services	
Management and general	404,171
Programs services	13,320,048
Total operating expenses	13,724,219
Change in net assets	2,151,416
Net assets, beginning of year	9,353,049
Net assets, end of year	\$ 11,504,465

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contractual revenue-grants	\$ 11,110,504	\$	\$ 11,110,504
Lease income	1,128,824		1,128,824
Registration income	33,490		33,490
Interest income	6,670		6,670
Other	215,878		215,878
Settlement income	925,000		925,000
Net assets released from restrictions	43,011,042	(43,011,042)	
Total revenues, gains, and support	<u>56,431,408</u>	<u>(43,011,042)</u>	<u>13,420,366</u>
Operating expenses:			
Supporting services			
Management and general	485,931		485,931
Programs services	11,965,679		11,965,679
Total operating expenses	<u>12,451,610</u>		<u>12,451,610</u>
Other expenses			
Donation of building	43,182,222		43,182,222
Total all expenses	<u>55,633,832</u>		<u>55,633,832</u>
Change in net assets	797,576	(43,011,042)	(42,213,466)
Net assets, beginning of year	<u>8,555,473</u>	<u>43,011,042</u>	<u>51,566,515</u>
Net assets, end of year	<u>\$ 9,353,049</u>	<u>\$</u>	<u>\$ 9,353,049</u>

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services				Total Program Services	Management and General	Total
	Partnership Intermediary Agreements PIA	DHS CETAP Program	Rental Activity	Other			
Marketing	\$ 15,225	\$ 217,473	\$ 17,251	\$ 5,000	\$ 254,949	\$ 17,975	\$ 272,924
Security services	8,855		233,422	995	243,272		243,272
Utilities			481,156		481,156	12,337	493,493
IT Network support	95,335	120,731	20,644	14,458	251,168	6,440	257,608
Telephone and internet services	4,910		45,359		50,269	1,289	51,558
Travel	15,567	67,364	18,706	499	102,136	2,619	104,755
Rent		6,120	537,225		543,345	13,775	557,120
Events	2,432,893		498		2,433,391		2,433,391
Academic outreach		524,360		71,090	595,450		595,450
Insurance			654,401		654,401	34,954	689,355
Routine maintenance and services	9,758		1,337,417	1,291	1,348,466	19,435	1,367,901
Professional fees	52,880		33,504		86,384	21,970	108,354
Office	28,513	18,989		420	47,922	24,071	71,993
Contract labor	2,542,318	1,893,786	982,727	81,014	5,499,845	249,306	5,749,151
Other	2,715	2,934	616		6,265		6,265
Depreciation	275,988		445,641		721,629		721,629
Total expenses	\$ 5,484,957	\$ 2,851,757	\$ 4,808,567	\$ 174,767	\$ 13,320,048	\$ 404,171	\$ 13,724,219

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services						Total
	Partnership Intermediary Agreements PIA	DHS CETAP Program	Rental Activity	Other	Total Program Services	Management and General	
Marketing	\$ 614	\$ 48,520	\$ 83,207	\$	\$ 132,341	\$ 31,328	\$ 163,669
Security services	38,711		235,319	1,680	275,710		275,710
Utilities			515,465		515,465	13,217	528,682
IT Network support	47,964	38,207	38,750	271	125,192	8,681	133,873
Telephone and internet services	20		44,536		44,556	1,153	45,709
Travel	22,357	320,827	44,108	667	387,959	9,947	397,906
Rent		6,120	477,750		483,870	12,250	496,120
Events	1,183,898	2,787		14,045	1,200,730		1,200,730
Academic outreach		1,354,351		27,183	1,381,534		1,381,534
Insurance			555,684		555,684	41,826	597,510
Routine maintenance and services	27,222		1,457,673		1,484,895	23,015	1,507,910
Professional fees			100,659		100,659	26,268	126,927
Office	14,121	2,538		634	17,293	30,102	47,395
Contract labor	1,951,690	1,731,118	861,019	31,200	4,575,027	275,228	4,850,255
Other	31,464	2,052	1,275	16,562	51,353	12,916	64,269
Depreciation	134,242		499,169		633,411		633,411
Total expenses	\$ 3,452,303	\$ 3,506,520	\$ 4,914,614	\$ 92,242	\$ 11,965,679	\$ 485,931	\$ 12,451,610

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated
 Statements of Cash Flows
 For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Changes in net assets	\$ 2,151,416	\$ (42,213,466)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	721,629	633,411
Donation of building		43,182,222
(Increase) decrease in operating assets:		
Grants and contracts receivable	274,888	(411,478)
Accounts receivable	(60,339)	(59,030)
Prepaid expenses	(1,967)	13,642
Increase (decrease) in operating liabilities:		
Accounts payable	336,114	(379,012)
Deferred revenue	158,268	(141,584)
Net cash provided by operating activities	3,580,009	624,705
Investing Activities		
Payments for improvements and equipment	(1,504,542)	(422,219)
Net cash (used) by investing activities	(1,504,542)	(422,219)
Net increase in cash and cash equivalents	2,075,467	202,486
Cash and cash equivalents as of beginning of year	3,720,362	3,517,876
Cash and cash equivalents as of end of year	\$ 5,795,829	\$ 3,720,362

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Cyberspace Innovation Center, Incorporated (CIC) is a nonprofit corporation organized under the laws of the State of Louisiana. The primary purpose of the CIC is to engage in activities to promote, facilitate, encourage, coordinate and aid scientific investigations, research, education, training and allied supportive services dedicated to the development of cyberspace technology, including technology to be utilized by the United States Air Force for the benefit of the United States and the general public. The CIC, including administrative offices, is located in Bossier City, Louisiana.

The CIC leases property located at 6300 East Texas Street, Bossier City, Louisiana from the City of Bossier City and the Parish of Bossier. The primary consideration for the lease is the CIC's agreement to assist the City, Parish and State goal of developing a high quality research park in close proximity to Barksdale Air Force Base which will enhance existing and future missions at Barksdale and create economic development and educational opportunities in the Bossier area. The CIC is responsible for the full development, operations, and maintenance of the property and shall sublease the property in order to advance the City, Parish and State goal. All revenues derived by the CIC in excess of reasonable expenses from the property are to be used solely for the development, operations and maintenance of such property and fulfilling the CIC's primary purpose.

The CIC has entered into a memorandum of understanding (MOU) with the U.S. Air Force to further develop relationships with State entities, academia, and regional businesses and industries, and tap into the technology of the Department of the Air Force. The MOU is entered into pursuant to the authority of U.S.C. 3715 "Use of Partnership Intermediaries" (PIA). This authority permits directors of Federal laboratories, such as those in the Department of the Air Force, to enter into MOU's with partnership intermediaries to perform services that increase the likelihood of success in the conduct of cooperative or joint activities of such Federal laboratory with small business firms, institutions of higher education and certain other educational institutions.

The CIC has developed a robust academic outreach and work force development program in order to build a sustainable knowledge-based workforce that can support the needs of government, industry and academia. The mission is to foster integrated curricular experiences across multiple disciplines in both university and K-12 environments. Objectives include: create a culture of educational innovation across a national network of college and K-12 faculty; provide a focal point for continued interdisciplinary collaboration in science, technology, engineering, and mathematics (STEM) education reform; serve as a catalyst for future research in cyber education; disseminate innovation best practices in education throughout the nation; emphasize professional development for K-12 teachers; and engage students across primary (K-5), secondary (6-12), and post-secondary levels. Funding is primarily through Federal grant awards from the U.S. Department of Homeland Security under the Cybersecurity Education and Training Assistance Program (CETAP).

B. Basis of Accounting

The financial statements of the CIC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2020 and 2019
(Continued)

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards. Under those standards, the CIC is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of CIC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CIC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. CIC has adopted a policy to classify donor restricted contributions as without donor restriction to the extent that donor restrictions are met in the year the contribution was received.

Contributions are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their fair value.

D. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes all cash on hand and cash on deposit with maturities of less than three months.

E. Property and Equipment

The CIC capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit donor restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the CIC reports expirations of donor restrictions when the donated or acquired assets are placed in service. The CIC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives.

The Federal Government has a reversionary interest in property purchased with federal funds; its disposition as well as the ownership of any proceeds there from is subject to federal regulations. The use of assets purchased with federal funds is limited to the purposes intended by the funding agency.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2020 and 2019
(Continued)

F. Use of 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.

G. Income Taxes

The CIC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made. However, should the CIC engage in activities unrelated to its exempt purpose, taxable income could result. The CIC had no unrelated business income for the years ended December 31, 2020 and 2019.

The CIC's Form 990, *Return of Organization Exempt from Income Tax*, for the years 2017, 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

H. Advertising

Advertising and promotion costs are expensed as incurred. Advertising expense totaled \$17,533 and \$12,687 for the years ended December 31, 2020 and 2019, respectively.

I. Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

J. Deferred Revenue

Income from rent and other events are deferred and recognized over the periods to which the rent and events relate.

K. Grants and Contracts Receivable

Grants and contracts receivable represent amounts due from governmental agencies and contractors under contractual terms. CIC considers grants and contracts receivable at December 31, 2020 and 2019 to be fully collectible, accordingly, no allowance for doubtful accounts is required.

L. Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts, after reasonable collection efforts, as bad debt expenses. Amounts deemed uncollectible are not material to the financial statements.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2020 and 2019
(Continued)

M. Functional Expenses

The costs of providing certain activities of CIC have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supported services benefited. Costs are directly charged to the functions they benefit. Facility related and supportive services expenses are allocated to each function based upon managements equitable determination.

(2) Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable are limited due to the small number of receivables comprising the amount. Concentrations of credit risk with respect to grants and contracts receivable were limited due to the balances being comprised of amounts due from governmental agencies and contractors under contractual terms. As of December 31, 2020 and 2019, CIC had no significant concentrations of credit risk in relation to accounts and grants and contracts receivable.

The CIC maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, total cash balances held at financial institutions was \$6,395,618. Of this amount \$1,752,111 was secured by FDIC, and the remaining \$4,643,507 was unsecured. At December 31, 2019, total cash balances held at financial institutions was \$4,433,489. Of this amount \$750,000 was secured by FDIC, and the remaining \$3,683,489 was unsecured.

(3) Property and Equipment

Property and equipment at December 31, 2020 and 2019, with estimated depreciable life, are summarized as follows:

		<u>2020</u>	<u>2019</u>
Leasehold improvements	15 years	\$8,295,590	\$7,180,192
Computer equipment	3-5 years	686,350	559,300
Other equipment	3-5 years	100,480	76,268
Accumulated depreciation		<u>(3,876,951)</u>	<u>(3,393,204)</u>
		<u>\$5,205,469</u>	<u>\$4,422,556</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$721,629 and \$633,411, respectively.

(4) Building – With Donor Restrictions

Building – with donor restrictions at December 31, 2018 consisted of a new building that was constructed on the existing premises that CIC operates and maintains. The funding for the new facility was primarily provided by a facility construction grant funded through a Cooperative Endeavor Agreement (CEA) with the State of Louisiana, Louisiana Department of Economic Development, Bossier Parish Police Jury, City of Bossier City, CIC and Computer Sciences Corporation. The CEA requires the new facility to remain owned by CIC until completion of construction. Upon completion, CIC shall donate ownership of the new facility to the City of Bossier City and the Bossier Parish Police Jury. CIC shall thereafter lease the new facility from the City of Bossier City and Bossier Parish Police Jury and sublease the new facility to Computer Sciences Corporation in accordance with the terms of the CEA. The building was substantially complete during 2016. In September, 2019, CIC donated the facility, by an act of donation, to the City of Bossier City and the Bossier Parish Police Jury.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2020 and 2019
(Continued)

(5) Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 consisted of construction of a new facility that upon completion of construction will be donated to the City of Bossier City and the Bossier Parish Police Jury, as stipulated by a Cooperative Endeavor Agreement with the State of Louisiana, Louisiana Department of Economic Development. In September, 2019, CIC donated the facility, by an act of donation, to the City of Bossier City and the Bossier Parish Police Jury.

(6) Lease Related Party

CIC entered into an agreement with Bossier City and Bossier Parish to lease the 135,000 square foot building and all other improvements at 6300 East Texas Street, Bossier City, Louisiana 71111 (the Premises). The CIC agreed to develop, operate and maintain the Premises, as well as to promote the Premises as a research park and sublease the Premises under the terms and to persons and entities all of which advance the City, Parish and State goal of developing a high quality research park. As additional rent, the CIC agreed to pay all utilities, real estate taxes, maintenance expenses and insurance associated with the Premises. Effective November 1, 2011, the CIC began paying the Bossier Parish Police Jury monthly amounts in accordance with the terms of the lease. The terms of the lease are for a period of twenty-five years, unless terminated pursuant to the terms, covenants, and conditions of the lease. There is also an option to extend the lease for three consecutive terms of ten years. Amounts paid under this agreement for the years ended December 31, 2020 and 2019 totaled \$551,000 and \$490,000, respectively.

(7) Consulting Service Agreement

From its inception, the administrative and operational services of Cyberspace Innovation Center, Incorporated have been performed under the leadership of Mr. Craig Spohn through an agreement between Broadmoor Consulting, LLC and the City of Bossier City and Bossier Parish Police Jury. Broadmoor Consulting, LLC is a single member limited liability company owned by Mr. Spohn. Mr. Spohn is Executive Director of CIC and was a member of the Board of Directors until January 24, 2012. The City of Bossier City and the Bossier Parish Police Jury provided the necessary funding for such operations until October 31, 2010. Since then, the Board of Directors for Cyberspace Innovation Center, Incorporated has approved a resolution to replace the City of Bossier City and the Bossier Parish Police Jury as the funding agent for the Cyberspace Innovation Center, Incorporated – Broadmoor Consulting, LLC agreement. Furthermore, the resolution established a policy requiring approval from the Board of Directors for any changes to this or any other agreement entered into by Cyberspace Innovation Center, Incorporated to thus ensure the necessary check and balance policies were established to provide Board insight and approval. Amounts paid to Broadmoor Consulting, LLC during the years ended December 31, 2020 and 2019 for the administrative and operational services pursuant to the agreement totaled \$5,501,850 and \$4,667,391, respectively, to provide the staff necessary (approximately 50–55 staff) to operate, lease, maintain and develop the CIC and the National Cyber Research Park. There were no amounts due to Broadmoor Consulting, LLC at December 31, 2019. Amounts owed to Broadmoor Consulting, LLC totaled \$485,397 at December 31, 2020.

(8) Evaluation of Subsequent Events

The CIC has evaluated subsequent events through June 18, 2021, the date on which the financial statements were available to be issued.

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2020 and 2019
(Continued)

(9) Contractual Revenue – Grants

During the years ended December 31, 2020 and 2019, CIC received contractual revenue from governmental agencies and contractors in the amount of \$14,621,476 and \$10,947,894, respectively. The continued existence of those funds are based on contractual renewals with the various funding sources.

(10) Operating Lease

CIC leases equipment under an operating lease. Rental cost on this lease for the years ended December 31, 2020 and 2019 was \$2,940 and \$2,940, respectively. Commitments under this lease agreement, which had an initial term in excess of one year, are as follows:

Year Ended December 31,	Amount
2021	\$ 2,940
2022	490
	\$ 3,430

(11) Lease Income

CIC subleases the existing premises to advance the mission to create economic development and educational opportunities as detailed in footnote 1. Lease income reported as revenue in the statement of activities for the years ended December 31, 2020 and 2019 was \$1,111,717 and \$1,128,824, respectively.

Future minimum lease income for leases having initial or remaining noncancellable lease terms in excess of one year are as follows:

Year Ended December 31,	Amount
2021	\$ 462,930
2022	142,656
	\$ 605,586

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2020 and 2019
(Continued)

(12) Liquidity and Availability of Financial Assets

CIC monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. CIC has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,795,829	\$ 3,720,362
Accounts receivable	121,049	60,710
Grant receivable	1,024,421	1,299,309
Total financial assets	\$ 6,941,299	\$ 5,080,381
Less amounts not available to be used within one year	()	()
Financial assets available to meet cash needs for general expenditures within one year	\$ 6,941,299	\$ 5,080,381

In addition to financial assets available to meet general expenditures over the year, CIC operates with a balanced budget and anticipates covering its general expenditures using the income generated from contractual agreements and lease income. The Statement of Cash Flows identifies the sources and uses of CIC's cash and shows positive cash generated by operations of \$3,580,009 and \$624,705 for fiscal years ending December 31, 2020 and 2019, respectively.

(13) Settlement Income

Included in revenues and other support in the statement of activities for the year ended December 31, 2019, is an amount of \$925,000 which represents a one time settlement arising from a construction contract dispute.

(14) Net Assets

Net assets at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Net Assets Without Donor Restrictions:		
Undesignated	\$ 6,298,996	\$ 4,930,493
Net investment in property and equipment	5,205,469	4,422,556
Total net assets without donor restrictions	\$ 11,504,465	\$ 9,353,049

(15) Uncertainty

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

Cyberspace Innovation Center, Incorporated
Schedule of Compensation, Benefits and Other Payments To Agency Head
For the Year Ended December 31, 2020

Agency Head: Craig C. Spohn, Executive Director

There were no payments for compensation, benefits and other derived from public funds during the year ended December 31, 2020.

Cyberspace Innovation Center, Incorporated
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Sub-Recipients	Expenditures
<u>U.S. Department of Homeland Security</u>				
Direct Program:				
CETAP - Cybersecurity Education and Training Assistance Program	97.127	18-PDCTP-000002	_____	\$ 4,140,267
Total U.S. Department of Homeland Security			_____	4,140,267
<u>U.S. Department of Defense</u>				
Direct Program:				
Air Force Partnership Intermediary Agreement				
Air Force Global Strike Command	None	FA6800-18-H-0001	_____	9,508,702
Total U.S. Department of Defense			_____	9,508,702
Total Federal Expenditures			\$ _____	\$ 13,648,969

NOTE A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Cyberspace Innovation Center, Incorporated under programs of the federal government for the ended December 31, 2020. 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, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cyberspace Innovation Center, Incorporated, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cyberspace Innovation Center, Incorporated.

NOTE B: Summary of Significant Accounting Policies

- (1) The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.
- (2) Cyberspace Innovation Center, Incorporated did not elect to use the 10 percent de minimis indirect cost rate.

COOK & MOREHART

Certified Public Accountants

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MEMBER
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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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 Auditors' Report

To the Board of Directors
Cyberspace Innovation Center, Incorporated

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 Cyberspace Innovation Center, Incorporated., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cyberspace Innovation Center, Incorporated'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 Cyberspace Innovation Center, Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of Cyberspace Innovation Center, Incorporated'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 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 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 Cyberspace Innovation Center, Incorporated'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
June 18, 2021

COOK & MOREHART

Certified Public Accountants

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Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors
Cyberspace Innovation Center, Incorporated

Report on Compliance for Each Major Federal Program

We have audited Cyberspace Innovation Center, Incorporated'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 Cyberspace Innovation Center, Incorporated's major federal programs for the year ended December 31, 2020. Cyberspace Innovation Center, Incorporated'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 each of Cyberspace Innovation Center, Incorporated'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 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 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 Cyberspace Innovation Center, Incorporated'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 Cyberspace Innovation Center, Incorporated's compliance.

Opinion on Each Major Federal Program

In our opinion, Cyberspace Innovation Center, Incorporated, 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 December 31, 2020.

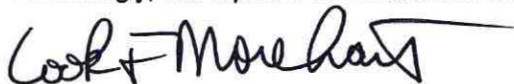
Report on Internal Control Over Compliance

Management of Cyberspace Innovation Center, Incorporated 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 Cyberspace Innovation Center, Incorporated's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Cyberspace Innovation Center, Incorporated's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
June 18, 2021

Cyberspace Innovation Center, Incorporated
Summary Schedule of Prior Audit Findings
December 31, 2020

There were no findings in the prior year audit for the year ended December 31, 2019.

Schedule of Findings and Questioned Costs
December 31, 2020

A. Summary of Audit Results

Financial Statements

Type of audit report issued : Unmodified

Internal control over financial reporting :

Material weaknesses identified : _____ yes ✓ no
Significant deficiencies identified : _____ yes ✓ none reported

Noncompliance material to financial statements noted :

_____ yes ✓ no

Federal Awards

Internal control over major programs :

Material weaknesses identified : _____ yes ✓ no
Significant deficiencies identified : _____ yes ✓ none reported

Type of auditors' report issued on compliance for major federal programs : Unmodified

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

_____ yes ✓ no

Identification of major federal programs :

CETAP - Cybersecurity Education and Training Assistance Program

CFPA #97-127

Dollar threshold used to distinguish between type A and type B programs : \$750,000

Auditee qualified as low risk :

✓ yes _____ no

B. Findings – Financial Statements Audit – None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit – None.

Cyberspace Innovation Center, Incorporated
Summary Schedule of Audit Findings
Schedule for Louisiana Legislative Auditor
December 31, 2020

Summary Schedule of Prior Audit Findings

There were no findings, questioned costs, or management letter comments for the prior year audit for the year ended December 31, 2019.

Current Year Audit Findings

There are no findings, questioned costs, or management letter comments for the current year audit for the year ended December 31, 2020.