

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

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

June 30, 2018

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

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

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1 - 3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Cash Flows	6
Consolidated Notes to Financial Statements	7 - 14
SUPPLEMENTAL INFORMATION	
Consolidating Statement of Financial Position	16
Consolidating Statement of Activities	17
Balance Sheet - New Orleans BioFunding, LLC	18
Statement of Operations - New Orleans BioFunding, LLC	19
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Director	20
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	21 - 22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23
CORRECTIVE ACTION PLAN	24

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, 2018, 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, 2018, 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 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 February 20, 2018, 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, 2017, 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. 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 March 31, 2019, 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
March 31, 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2018

	<u>June 30, 2018</u>	<u>Summarized Comparative Information June 30, 2017</u>
ASSETS		
Cash, including \$810,631 in money market accounts (Note C)	\$ 855,855	\$ 1,642,710
Receivables (Notes A6, and A7)		
Notes receivable, less allowance for possible loan losses of \$255,262.	465,941	540,286
Accounts receivable, less allowance for doubtful accounts of \$9,000	83,354	99,792
Other	9,584	7,907
Property and Equipment - At cost (Notes A9 and E)	38,460,298	39,698,089
Other Assets		
Investments (Notes A8 and D)	-	-
Deposits and prepaid expenses	<u>245,102</u>	<u>173,253</u>
Total assets	<u>\$ 40,120,134</u>	<u>\$ 42,162,037</u>
LIABILITIES		
Accounts payable	\$ 55,693	\$ 88,193
Rental deposits	68,085	67,185
Deferred revenue (Note F)	<u>1,458,115</u>	<u>1,588,367</u>
Total liabilities	1,581,893	1,743,745
COMMITMENTS (Note G)	-	-
NET ASSETS (Notes A3 and A4)		
Unrestricted	77,943	625,468
Temporarily restricted	<u>38,460,298</u>	<u>39,792,824</u>
Total net assets	<u>38,538,241</u>	<u>40,418,292</u>
Total liabilities and net assets	<u>\$ 40,120,134</u>	<u>\$ 42,162,037</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018</u>	<u>Summarized Comparative Information 2017</u>
REVENUE				
Grant appropriations	\$ -	\$ 158,778	\$ 158,778	\$ 246,852
Public support	408,260	-	408,260	422,934
Rental income	745,915	-	745,915	757,646
Other	185,449	-	185,449	213,155
Net assets released from restrictions	<u>1,491,304</u>	<u>(1,491,304)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>2,830,928</u>	<u>(1,332,526)</u>	<u>1,498,402</u>	<u>1,640,587</u>
EXPENSES				
Salaries and related benefits	1,118,598	-	1,118,598	1,248,277
Contract labor	9,689	-	9,689	2,010
Contract outside services	136,405	-	136,405	200,663
Consulting and other	-	-	-	15,236
Professional services	22,878	-	22,878	49,277
Supplies	8,612	-	8,612	14,219
Telecommunications	41,004	-	41,004	49,165
Postage & shipping	72	-	72	229
Printing & copying	9,086	-	9,086	10,897
Books, subscriptions, reference	2,432	-	2,432	2,384
Rent	14,986	-	14,986	26,259
Utilities	276,425	-	276,425	283,770
Equipment rental & maintenance	158,364	-	158,364	254,098
Travel & meeting expenses	58,609	-	58,609	55,878
Equipment	9,446	-	9,446	26,231
Depreciation	1,237,791	-	1,237,791	1,313,141
Insurance	117,040	-	117,040	38,542
Membership dues	8,882	-	8,882	11,069
Outside computer services	90,870	-	90,870	32,626
Marketing expense	53,447	-	53,447	48,791
Other costs	<u>3,817</u>	<u>-</u>	<u>3,817</u>	<u>5,357</u>
Total Expenses	<u>3,378,453</u>	<u>-</u>	<u>3,378,453</u>	<u>3,688,119</u>
Increase (Decrease) in Net Assets	(547,525)	(1,332,526)	(1,880,051)	(2,047,532)
Net assets, beginning of year	<u>625,468</u>	<u>39,792,824</u>	<u>40,418,292</u>	<u>42,465,824</u>
Net assets, end of year	<u>\$ 77,943</u>	<u>\$ 38,460,298</u>	<u>\$ 38,538,241</u>	<u>\$ 40,418,292</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, 2018

	<u>June 30, 2018</u>	<u>Summarized Comparative Information June 30, 2017</u>
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (1,880,051)	\$ (2,047,532)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,237,791	1,313,141
Changes in assets and liabilities:		
Decrease (increase) in receivables	150,996	424,788
Increase (decrease) in accounts payable	(95,731)	16,146
Decrease (increase) in deposits and prepaid expenses	(71,849)	(34,953)
Increase (decrease) in deferred revenue	(130,252)	(365,642)
Increase in rental deposits	900	10,899
Other	<u>1,341</u>	<u>-</u>
Net cash provided (used) by operating activities	(<u>786,855</u>)	(<u>683,153</u>)
Cash flows from investing activities:		
Acquisition of investments	(81,394)	(233,517)
Valuation reserve on investments	81,394	283,517
Investments reclassified	<u>-</u>	(<u>25,000</u>)
Net cash provided (used) by investing activities	<u>-</u>	<u>25,000</u>
Net (decrease) in cash and cash equivalents	(786,855)	(658,153)
Cash and cash equivalents, beginning of year	<u>1,642,710</u>	<u>2,300,863</u>
Cash and cash equivalents, end of year	\$ <u>855,855</u>	\$ <u>1,642,710</u>
Supplemental Non-cash Investing and Financing Activities:	\$ -	\$ -

The accompanying notes are an integral part of this statement.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

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.

On November 20, 2017, a for profit entity was formed as a subsidiary to be the applicant for a federal grant. The grant was not obtained, accordingly the only transaction was to open a bank account for \$1,000. This entity is not included in the consolidated financial statements.

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.

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.
AND SUBSIDIARY**

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2018

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, 2018.

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 collectibility.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2018

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. 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 at June 30, 2018 was \$255,262.

8. 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.

9. 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.

10. 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.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2018

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

11. 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.

12. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (March 31, 2019).

13. Recently Issued Accounting Standards

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for Profit Entities*. Under the ASU, the number of net classes are decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how an entity manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted, however the Organization did not early adopt ASU 2016-14.

In February, 2016 the FASB issued ASU No, 2016-02, *Leases*. This accounting standard requires leases to recognize assets and liabilities related to lease arrangements longer than 12 months on the financial position as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2019.

In June, 2018, the FASB issued ASU No, 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU is effective annual period beginning after December 15, 2018.

14. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2017, from which the summarized information is derived.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2018

NOTE B - CONTINGENCY - GOING CONCERN

As shown in the accompanying financial statements, the operations of New Orleans BioInnovation Center, Inc. and Subsidiary (NOBIC), resulted in a decrease in net assets of \$1,880,051 during the year ended June 30, 2018, and there was also a substantial decrease in the previous year. That factor creates an uncertainty about NOBIC's ability to continue as a going concern. Management has evaluated the conditions and has proposed the following plan:

NOBIC's management is restructuring business operations to correct budget shortfalls and ensure a sustainable business model. NOBIC's management is engaged with Tulane University, Louisiana State University Health Sciences Center, and Louisiana Department of Economic Development to fulfill NOBIC's obligations through a minimum of June 30, 2019.

In addition, Tulane University and Louisiana State University Health Sciences Center are actively seeking ways to create long-term financial sustainability for NOBIC's operating, investing, and financing activities.

The Louisiana Department of Economic Development has provided NOBIC's management with a Cooperative Endeavor Agreement to commit substantial financial resources to provide NOBIC the opportunity to chart a future, short and long-term, of business planning and achievement of the necessary steps, including restructuring and reorganization, to ensure future viability.

The ability of NOBIC 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 NOBIC is unable to continue as a going concern.

NOTE C - CONCENTRATION OF CREDIT RISK

At June 30, 2018, the unsecured cash balance amounted to \$233,087.

NOTE D - INVESTMENTS

As of June 30, 2018, 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	\$ 56,394
Security agreement for future equity	100,000
Preferred stock	<u>208,517</u>
Total	<u>\$ 364,911</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

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2018

NOTE D - INVESTMENTS - Continued

companies are considered to be zero at June 30, 2018, the reserve adjustment on the investments was charged to Deferred Revenue - Miscellaneous Receipts, in accordance with the provisions of the Cooperative Endeavor Agreement.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2018:

Building	\$ 45,247,408
Furniture and equipment	<u>1,514,522</u>
	46,761,930
Less accumulated depreciation	<u>8,301,632</u>
	<u>\$ 38,460,298</u>

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

Depreciation expense for the year amounted to \$1,237,791.

NOTE F - DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2018:

New Orleans BioFunding, LLC	
Miscellaneous receipts	\$ 1,458,115

NOTE G - 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, 2017, 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.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2018

NOTE G - LEASE AGREEMENT - Continued

Rental expense for the year ended June 30, 2018 totaled \$14,986, which includes \$9,600 under the above lease agreement.

NOTE H - 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, 2018 amounted to \$745,915.

NOTE I - 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 J - FUNCTIONAL EXPENSES

Functional expenses for the year ended June 30, 2018 are as follows:

Program Services	
Business services and support expenses	\$ 425,349
Facilities expenses	2,261,572
Loan program expenses	<u>168,874</u>
	2,855,795
Support services	
Management and general expenses	<u>522,658</u>
Total	\$ <u>3,378,453</u>

NOTE K - MARKETING EXPENSES

The Company expenses marketing expenses as incurred. Marketing expense was \$53,447 for the year June 30, 2018.

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

NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2018

NOTE L - 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, 2018 amounted to \$18,491.

NOTE M - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 consist of the following:

Building and equipment	\$ 38,460,298
------------------------	---------------

NOTE N - CLASSIFICATION OF ACCOUNTS

Certain prior year accounts have been reclassified to agree to the current year presentation.

NOTE O - ECONOMIC DEPENDENCY

The Corporation receives the majority of its revenue from building rents. 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, 2018.

SUPPLEMENTAL INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2018

	<u>BioInnovation</u>	<u>BioFunding</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash	\$ 122,768	\$ 733,087	\$ -	\$ 855,855
Receivables				
Notes receivable	-	465,941	-	465,941
Accounts receivable	111,821	-	(28,467)	83,354
Other	-	9,584	-	9,584
Due from N.O. BioInnovation	-	<u>250,000</u>	<u>(250,000)</u>	-
	<u>234,589</u>	<u>1,458,612</u>	<u>(278,467)</u>	<u>1,414,734</u>
Property and Equipment	38,460,298	-	-	38,460,298
Other Assets				
Investments	-	-	-	-
Deposits and prepaid expenses	<u>245,102</u>	<u>-</u>	<u>-</u>	<u>245,102</u>
Total assets	<u>\$ 38,939,989</u>	<u>\$ 1,458,612</u>	<u>\$ (278,467)</u>	<u>\$ 40,120,134</u>
LIABILITIES				
Accounts payable	\$ 55,693	\$ 28,467	\$ (28,467)	\$ 55,693
Rental deposits	68,085	-	-	68,085
Deferred revenue	-	1,458,115	-	1,458,115
Due to N.O. BioFunding	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>
Total liabilities	373,778	1,486,582	(278,467)	1,581,893
NET ASSETS				
Unrestricted	-	-	77,943	77,943
Temporarily restricted	<u>38,566,211</u>	<u>(27,970)</u>	<u>(77,943)</u>	<u>38,460,298</u>
Total net assets	<u>38,566,211</u>	<u>(27,970)</u>	<u>(-)</u>	<u>38,538,241</u>
Total liabilities and net assets	<u>\$ 38,939,989</u>	<u>\$ 1,458,612</u>	<u>\$ (278,467)</u>	<u>\$ 40,120,134</u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	<u>BioInnovation</u>	<u>BioFunding</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE				
Grant appropriations	\$ 158,778	\$ -	\$ -	\$ 158,778
Public support	408,260	-	-	408,260
Rental income	745,915	-	-	745,915
Loan program income	-	104,589	-	104,589
Other	<u>77,280</u>	<u>3,580</u>	<u>-</u>	<u>80,860</u>
Total Revenue	<u>1,390,233</u>	<u>108,169</u>	<u>-</u>	<u>1,498,402</u>
EXPENSES				
Salaries and related expenses	977,427	141,171	-	1,118,598
Contract labor	9,689	-	-	9,689
Contract outside services	135,038	1,367	-	136,405
Professional services	14,446	8,432	-	22,878
Supplies	8,612	-	-	8,612
Telecommunications	41,004	-	-	41,004
Postage & shipping	72	-	-	72
Printing & copying	9,086	-	-	9,086
Books, subscriptions, reference	2,432	-	-	2,432
Rent	14,986	-	-	14,986
Utilities	276,425	-	-	276,425
Equipment Rental & maintenance	158,364	-	-	158,364
Travel & meeting expenses	45,633	12,976	-	58,609
Equipment	9,446	-	-	9,446
Depreciation	1,237,791	-	-	1,237,791
Insurance	117,040	-	-	117,040
Membership dues	6,382	2,500	-	8,882
Outside computer services	90,702	168	-	90,870
Marketing expense	51,431	2,016	-	53,447
Other costs	<u>3,573</u>	<u>244</u>	<u>-</u>	<u>3,817</u>
Total Expenses	<u>3,209,579</u>	<u>168,874</u>	<u>-</u>	<u>3,378,453</u>
Increase (Decrease) in Net Assets	(1,819,346)	(60,705)	-	(1,880,051)
Net assets, beginning of year	<u>40,385,557</u>	<u>32,735</u>	<u>-</u>	<u>40,418,292</u>
Net assets, end of year	\$ <u>38,566,211</u>	\$ (<u>27,970</u>)	\$ <u>-</u>	\$ <u>38,538,241</u>

NEW ORLEANS BIOFUNDING, LLC

BALANCE SHEET

June 30, 2018

ASSETS

Cash	\$	10,367
Cash, money market, unrestricted		30,523
Cash, money market, restricted		692,197
Notes receivable, less allowance for possible loan losses of \$255,262		465,941
Due from N.O. BioInnovation		250,000
Receivable, other		9,584
Investments		<u>-</u>

Total assets **\$ 1,458,612**

LIABILITIES AND NET WORTH

Accounts payable	\$	28,467
Deferred revenue		
Miscellaneous Receipts		1,458,115
Net worth (deficit)		(<u>27,970</u>)
Total liabilities and net worth		<u>\$ 1,458,612</u>

NEW ORLEANS BIOFUNDING, LLC

STATEMENT OF OPERATIONS

Year ended June 30, 2018

Income		
Miscellaneous Receipts	\$ 104,589	
Other	<u>3,580</u>	
		\$ 108,169
Expenses		
Salaries and related expenses	141,171	
Contract services	1,367	
Accounting fees	5,200	
Legal fees	3,232	
Travel and meeting expenses	12,976	
Membership dues	2,500	
Outside computer services	168	
Marketing expense	2,016	
Other costs	<u>244</u>	
		<u>168,874</u>
Net Income (loss)		(<u>60,705</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, 2018

Agency Head Name: Aaron Miscenich

Purpose

Amount

No payments were made with public funds.

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 consolidated statement of financial position as of June 30, 2018 and the related consolidated 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 March 31, 2019.

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 2018-001.

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.

Carris + Schmidt, LLC

Metairie, Louisiana
March 31, 2019

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2018

A. SUMMARY OF THE AUDIT RESULTS

The auditor's report expressed an unmodified opinion on the financial statements, with an Emphasis-of-Matter paragraph relating to going concern.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

COMPLIANCE

2018-001 Late filing of financial statements.

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

C. STATUS OF PRIOR YEAR AUDIT FINDINGS

<u>Compliance</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Audit Finding No.</u>
Late Filing of financial statements, 2017 - 001		X	2018 - 001

D. MANAGEMENT LETTER

A management letter was not issued for the year ended June 30, 2018.

Corrective Action Plan

2018-001- Late Submission of Report

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