

Cyberspace Innovation Center, Incorporated

Financial Statements

As of and for the Years Ended December 31, 2014 and 2013

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-15
Schedule of Compensation, Benefits and Other Payments To Agency Head	16
Schedule of Expenditures of Federal Awards	17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18-19
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	20-21
Schedule of Findings and Questioned Costs	22
Summary Schedule of Audit Findings – For Louisiana Legislative Auditor	23

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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 statements of financial position as of December 31, 2014 and 2013, 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 misstatements, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

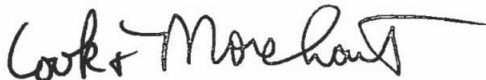
Other Matters

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 26, 2015, 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 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 Cyberspace Innovation Center, Incorporated's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 26, 2015

Cyberspace Innovation Center, Incorporated
 Statements of Financial Position
 December 31, 2014 and 2013

Assets	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 3,070,437	\$ 3,218,910
Accounts receivable	299,917	170,543
Grants and contracts receivable	2,109,062	177,632
Prepaid expenses	58,265	33,930
Total current assets	<u>5,537,681</u>	<u>3,601,015</u>
Noncurrent assets:		
Construction in progress-temporarily restricted	4,966,625	
Property and equipment, net	4,442,405	3,717,084
Total Assets	<u>\$ 14,946,711</u>	<u>\$ 7,318,099</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,944,122	\$ 432,991
Tenant deposit - current portion		125,000
Deferred revenue	136,678	7,241
Total current liabilities	<u>3,080,800</u>	<u>565,232</u>
Net assets		
Unrestricted	6,899,286	6,585,286
Temporarily restricted	4,966,625	167,581
Total net assets	<u>11,865,911</u>	<u>6,752,867</u>
Total Liabilities and Net Assets	<u>\$ 14,946,711</u>	<u>\$ 7,318,099</u>

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

Cyberspace Innovation Center, Incorporated
Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contractual revenue-grants	\$ 7,096,538	\$ 4,966,625	\$ 12,063,163
Lease income	2,209,703		2,209,703
Registration income	56,060		56,060
Interest income	9,412		9,412
Other	29,062		29,062
Net assets released from restrictions	167,581	(167,581)	
Total revenues, gains, and support	<u>9,568,356</u>	<u>4,799,044</u>	<u>14,367,400</u>
Expenses:			
Supporting services			
Management and general	532,162		532,162
Programs services	8,722,194		8,722,194
Total expenses	<u>9,254,356</u>		<u>9,254,356</u>
Change in net assets	314,000	4,799,044	5,113,044
Net assets, beginning of year	<u>6,585,286</u>	<u>167,581</u>	<u>6,752,867</u>
Net assets, end of year	<u>\$ 6,899,286</u>	<u>\$ 4,966,625</u>	<u>\$ 11,865,911</u>

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

Cyberspace Innovation Center, Incorporated
Statement of Activities
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contractual revenue-grants	\$ 2,343,259	\$ 232,200	\$ 2,575,459
Donations and contributions	2,500		2,500
Lease income	1,871,477		1,871,477
Other tenant income	3,251,427		3,251,427
Registration income	70,050		70,050
Interest income	10,145		10,145
Other	89,642		89,642
Net assets released from restrictions	485,017	(485,017)	
Total revenues, gains, and support	8,123,517	(252,817)	7,870,700
Expenses:			
Supporting services			
Management and general	474,747		474,747
Programs services	6,635,041		6,635,041
Total expenses	7,109,788		7,109,788
Change in net assets	1,013,729	(252,817)	760,912
Net assets, beginning of year	5,571,557	420,398	5,991,955
Net assets, end of year	\$ 6,585,286	\$ 167,581	\$ 6,752,867

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, 2014

	Management and General	Program Services	Total
Marketing	\$ 34,099	\$ 13,754	\$ 47,853
Events		133,165	133,165
Academic outreach		1,682,075	1,682,075
Insurance	23,906	321,274	345,180
Routine services building	37,421	1,459,416	1,496,837
Routine maintenance building	4,267	166,416	170,683
Professional fees	19,101	168,526	187,627
Office	17,239	41,119	58,358
Contract labor	356,390	2,772,135	3,128,525
Consulting services		150,000	150,000
Security services		96,141	96,141
Utilities	19,846	774,001	793,847
IT Network support	640	24,968	25,608
Telephone and internet services	783	30,517	31,300
Travel	5,828	227,300	233,128
Rent	5,813	256,220	262,033
Depreciation		332,022	332,022
Other	6,829	73,145	79,974
Total expenses	<u>\$ 532,162</u>	<u>\$ 8,722,194</u>	<u>\$ 9,254,356</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, 2013

	Management and General	Program Services	Total
Marketing	\$ 2,847	\$ 17,261	\$ 20,108
Events		20,762	20,762
Academic outreach		121,694	121,694
Insurance	20,326	284,559	304,885
Routine services building	28,973	1,129,956	1,158,929
Routine maintenance building		56,225	56,225
Professional fees	19,101	81,100	100,201
Office	18,437	93,912	112,349
Contract labor	340,487	2,801,356	3,141,843
Consulting services		409,000	409,000
Security services		70,396	70,396
Utilities	17,227	671,864	689,091
IT Network support	2,586	100,845	103,431
Telephone and internet services	1,104	43,048	44,152
Travel	3,567	139,095	142,662
Rent	3,888	182,460	186,348
Depreciation		363,891	363,891
Cyber security services		7,954	7,954
Other	16,204	39,663	55,867
Total expenses	<u>\$ 474,747</u>	<u>\$ 6,635,041</u>	<u>\$ 7,109,788</u>

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, 2014 and 2013

Operating Activities	2014	2013
Changes in net assets	\$ 5,113,044	\$ 760,912
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	332,022	363,891
(Increase) decrease in operating assets:		
Grants and contracts receivable	(1,931,430)	681,127
Accounts receivable	(129,374)	(145,415)
Prepaid expenses	(24,335)	5,235
Increase (decrease) in operating liabilities:		
Accounts payable	(140,704)	(87,764)
Deferred revenue	129,437	(181,561)
Tenant deposit	(125,000)	(125,000)
Net cash provided by operating activities	3,223,660	1,271,425
 Investing Activities		
Payments for improvements and equipment	(3,372,133)	(812,089)
Net cash (used) by investing activities	(3,372,133)	(812,089)
 Net increase (decrease) in cash and cash equivalents	(148,473)	459,336
 Cash and cash equivalents as of beginning of year	3,218,910	2,759,574
 Cash and cash equivalents as of end of year	\$ 3,070,437	\$ 3,218,910
 Non - cash financing activity		
Acquisition of improvements and equipment	\$ 6,023,968	
Trade accounts payable	(2,651,835)	
Cash payment for improvements and equipment	\$ 3,372,133	

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

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2014 and 2013

(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.

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.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). Under those standards the CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- a. Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- b. Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the CIC and/or passage of time. This classification includes gifts, annuities, and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.
- c. Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the CIC.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or

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Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2014 and 2013
(Continued)

by law. Expiration of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as reclassifications between the applicable classes of net assets.

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 \$2,000. 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 unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. 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 temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives.

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, 2014 and 2013.

The CIC's Forms 990, *Return of Organization Exempt from Income Tax*, for the years 2011, 2012, 2013, and 2014 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 \$5,775 and \$3,345 respectively, for the years ended December 31, 2014 and 2013.

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Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2014 and 2013
(Continued)

I. Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 activities as net assets released from restrictions.

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, 2014 and 2013 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.

(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, 2014 and 2013, 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, 2014, total cash balances held at financial institutions was \$3,171,666. Of this amount \$750,000 was secured by FDIC, and the remaining \$2,421,666 was unsecured. At December 31, 2013, total cash balances held at financial institutions was \$3,357,819. Of this amount, \$750,000 was secured by FDIC, and the remaining \$2,607,819 was unsecured.

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Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2014 and 2013
(Continued)

(3) Property and Equipment

Property and equipment at December 31, 2014 and 2013, with estimated depreciable life, are summarized as follows:

		<u>2014</u>	<u>2013</u>
Construction in progress	N/A	\$ 839,461	\$
Leasehold improvements	15 years	4,206,676	3,988,794
Computer equipment	3-5 years	532,303	532,303
Other equipment	3-5 years	37,405	37,405
Accumulated Depreciation		<u>(1,173,440)</u>	<u>(841,418)</u>
		<u>\$4,442,405</u>	<u>\$3,717,084</u>

Depreciation expense for the years ended December 31, 2014 and 2013, was \$332,022 and \$363,891, respectively.

(4) Construction in Progress-Temporarily Restricted

Construction in progress-temporarily restricted at December 31, 2014 consists of a new building being constructed on the existing premises that CIC operates and maintains. The funding for the new facility is 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. Estimated costs of the construction for the new facility at December 31, 2014 is approximately \$28,569,000. The CEA provides funding of \$29,000,000.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 consists of construction in progress on 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.

Temporarily restricted net assets at December 31, 2013 consisted of grant revenues received for specific purposes and not expended as of December 31, 2013.

(6) Lease Related Party

On September 2, 2009, and subsequently amended on October 31, 2011, the CIC entered into an agreement with Bossier City and Bossier Parish to lease the newly constructed, 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,

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Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2014 and 2013
(Continued)

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, 2014 and 2013 were \$232,500 and \$155,500, respectively.

(7) Sublease

On December 27, 2009, the CIC entered into an agreement with the Air Force of The United States of America to lease Premises described in Note 6. The term of this agreement is for two one year periods, commencing upon the date of occupancy, April 15, 2010. The stated annual rent is \$1,600,000 payable in equal monthly installments. In addition, the lease calls for a one-time payment of \$5,300,000 for facility configuration costs to be paid within 30 days of the execution of the lease, which was received in 2010. The lease was renewed for one year at \$1,680,000 through April, 2013.

(8) 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, 2014 and 2013 for the administrative and operational services pursuant to the agreement was \$2,560,137 and \$2,460,172, respectively to provide the staff necessary (approximately 19-20 staff) to operate, lease, maintain and develop the CIC and the National Cyber Research Park. Amounts due to Broadmoor Consulting, LLC at December 31, 2014 and 2013 were \$204,699 and \$215,787 respectively.

(9) Evaluation of Subsequent Events

The CIC has evaluated subsequent events through June 26, 2015, the date on which the financial statements were available to be issued.

(10) Tenant Deposit

During the year ended December 31, 2011, the CIC leased space to a business which required a deposit of \$375,000. The lease agreement provides for the deposit to be refunded over a three year period of time beginning April 1, 2012, subject to conditions of the lease. Annual payments will be made beginning April 1, 2012 of \$125,000. As of December 31, 2014 all amounts under this arrangement had been refunded.

(11) Contractual Revenue – Grants

During the years ended December 31, 2014 and 2013, CIC received contractual revenue from governmental agencies and contractors in the amount of \$5,458,186 and \$2,575,459, respectively. The continued existence of those funds are based on contractual renewals with the various funding sources.

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Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2014 and 2013
(Continued)

Included in contractual revenue-grant income for the year ended December 31, 2014 is \$4,966,625 which was received from the State of Louisiana, Louisiana Department of Economic Development. This grant is paid pursuant to a Cooperative Endeavor Agreement and is to be used by CIC to design, develop, construct and equip a new facility on the existing premises that CIC operates and maintains. Total amount of the grant award is \$29,000,000. The estimated construction cost of the new facility at December 31, 2014 is approximately \$28,569,000. Also, included in contractual revenue-grant income for the year ended December 31, 2014 is \$1,340,000 received from the City of Bossier City as one-time funding for tenant improvements, power enhancements and battery enhancements. The Bossier Parish Police appropriated \$1,340,000 in January, 2015 for the same purposes.

(12) Other Tenant Income

On April 15, 2013, CIC entered into an agreement to lease to the United States Government certain space at the existing premises. The initial lease term is May 1, 2013 through April 30, 2014. The lease may be renewed, at the option of the Government, for nine (9) additional one (1) year periods. There is also another option to extend for one (1) year with four (4) one year renewals subject to a mutually agreed upon base rental rate. In addition, the Government agreed to a one time payment for certain existing equipment and central plant equipment totaling approximately \$3,231,070. This amount was received in 2013 and is reported as other tenant income in the statement of activities for the year ended December 31, 2013.

(13) Commitments

At December 31, 2014, CIC had entered into construction contracts totaling \$29,511,592 and had incurred costs associated with those contracts of \$5,511,342 as of December 31, 2014.

Included in those contracts were \$28,569,159 to construct a new facility on the existing premises that CIC operates and maintains. Funding for this project is primarily provided by a facility construction grant, funded through a Cooperative Endeavor Agreement with the State of Louisiana Department of Economic Development in the amount of \$29,000,000. The agreement also provides CIC with a grant from the City of Bossier City and the Bossier Parish Police Jury, for any cost in excess of the facility construction grant, to complete the facility. The City of Bossier City and the Bossier Parish Police Jury agree to jointly provide CIC with a grant of \$10 million, \$5 million from the City of Bossier City and \$5 million from the Bossier Parish Jury, unless the City and Parish mutually agree otherwise.

(14) Operating Lease

CIC leases equipment under an operating lease. Rental cost on this lease for the years ended December 31, 2014 and 2013 were \$4,882 and \$4,882 respectively. Commitments under this lease agreement, which had an initial term in excess of one year, are as follows:

Year Ended December 31,	Amount
2015	\$ 4,882
2016	4,882
2017	4,882
2018	2,848
	\$ 17,494

(Continued)

Cyberspace Innovation Center, Incorporated
Notes to Financial Statements
December 31, 2014 and 2013
(Continued)

(15) 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, 2014 and 2013 were \$2,209,703 and \$1,871,477 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
2015	\$ 197,237
2016	112,468
	\$ 309,705

(16) Accounts Payable

Amounts included in accounts payable at December 31, 2014 and 2013 were as follows:

	2014	2013
Regular trade	\$ 292,287	\$ 222,302
Construction	2,651,835	210,689
	\$ 2,944,122	\$ 432,991

Cyberspace Innovation Center, Incorporated
Schedule of Compensation, Benefits and Other Payments To Agency Head
For the Year Ended December 31, 2014

Agency Head: Craig C. Spohn, Executive Director

The administrative and operational services of Cyberspace Innovation Center, Incorporated (CIC) are performed under an agreement between Broadmoor Consulting, LLC, and CIC, therefore CIC did not have employees or payroll related expenses. All administrative and operational services are paid by CIC to Broadmoor Consulting, LLC.

The amount paid by CIC to Broadmoor Consulting, LLC for the Executive Director position, under the terms of the agreement, for the year ended December 31, 2014 was \$459,600.

CIC paid the following during the year ended December 31, 2014 on behalf of the Executive Director:

<u>Purpose</u>	<u>Amount</u>
Benefits-insurance	\$ 14,940
Memberships	2,755
Travel	14,263

Cyberspace Innovation Center, Incorporated
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2014

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
CETAP - Cybersecurity Education and Training Assistance Program	97.127	2013-PD-127-000001	\$ 4,427,137
Total U.S. Department of Homeland Security			<u>4,427,137</u>
<u>U.S. Department of Defense</u>			
Passed through Louisiana Tech University			
Air Force Research Laboratory	12.910		55,388
Total U.S. Department of Defense			<u>55,388</u>
Total federal expenditures			<u>\$ 4,482,525</u>

NOTE 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

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, 2014, 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 26, 2015.

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) 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 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.

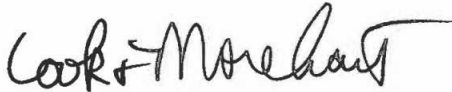
Compliance and Other Matters

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 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 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 26, 2015

COOK & MOREHART

Certified Public Accountants

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TRAVIS H. MOREHART, CPA
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AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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 Circular A-133 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, 2014. Cyberspace Innovation Center, Incorporated'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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 each of its major federal programs for the year ended December 31, 2014.

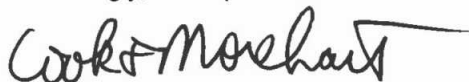
Report on Internal Control Over Compliance

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
June 26, 2015

Cyberspace Innovation Center, Incorporated
Summary Schedule of Prior Audit Findings
December 31, 2014

There were no findings related to federal awards programs in the prior year audit for the year ended December 31, 2013.

Schedule of Findings and Questioned Costs
December 31, 2014

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Cyberspace Innovation Center, Incorporated.
2. No significant deficiencies are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Cyberspace Innovation Center, Incorporated were disclosed during the audit.
4. No significant deficiencies are reported in the Report on Compliance for Each Major Program and Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for Cyberspace Innovation Center, Incorporated that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was: CETAP- Cybersecurity Education and Training Assistance Program CFDA #97.127.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Cyberspace Innovation Center Incorporated qualifies as a low-risk auditee.

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, 2013

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, 2013.

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, 2014.