



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____ February 9, 2016

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an audit report on the Iowa Innovation Corporation for the year ended June 30, 2015.

The Iowa Innovation Corporation was established by Chapter 15.107 of the Code of Iowa as a non-profit corporation for the purpose of receiving and disbursing funds from public and private sources to further the overall development and economic well-being of the State of Iowa.

The Corporation's revenues totaled \$578,990 for the year ended June 30, 2015. Revenues consisted of \$85,000 from marketing, \$14,821 from grants, \$63,780 from program revenues, \$415,000 from program management fees and \$389 of interest income.

Expenses for the year ended June 30, 2015 totaled \$526,404, and included \$279,888 for salaries and benefits, \$78,065 for contractual services and \$63,780 for program expenses.

A copy of the audit report is available for review in the office of the President of the Iowa Innovation Corporation, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1533-0060-B000.pdf>.

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IOWA INNOVATION CORPORATION
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS
JUNE 30, 2015

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Iowa Innovation Corporation

Board of Directors

June 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sarah Hasken	Board Chair	April 2017
Jamie Zanius	Vice Chair	April 2016
Georgia VanGundy	Secretary/Treasurer	April 2017
Joy Grosser	Member	April 2016
Rachel Hurley	Member	April 2018
Myron Linn	Member	April 2018
Kathryn Kunert	Member	April 2019
Kirk Bjorland	CEO and President	

Iowa Innovation Corporation



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Independent Auditor's Report

To the Board of Directors of the
Iowa Innovation Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Iowa Innovation Corporation as of and for the year ended June 30, 2015, and the related Notes to 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 U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Iowa Innovation Corporation'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 Iowa Innovation Corporation'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Innovation Corporation as of June 30, 2015, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2016 on our consideration of the Iowa Innovation Corporation'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 the 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 the Iowa Innovation Corporation's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 28, 2016

Financial Statements

Exhibit A

Iowa Innovation Corporation
Statement of Financial Position
June 30, 2015

Assets

Cash and cash equivalents	\$ 415,719
Receivables:	
Contributions	5,000
Accounts	141,388
Prepaid expense	<u>5,391</u>
Total assets	<u>\$ 567,498</u>

Liabilities and Net Assets

Liabilities:	
Accounts payable	\$ 30,337
Compensation payable	<u>3,300</u>
Total liabilities	<u>33,637</u>
Net assets:	
Restricted	77,168
Unrestricted	<u>456,693</u>
Total net assets	<u>533,861</u>
Total liabilities and net assets	<u>\$ 567,498</u>

See notes to financial statements.

Iowa Innovation Corporation

Statement of Activities

Year ended June 30, 2015

Revenues:	
Grants	\$ 14,821
Marketing	85,000
Program	63,780
Program management	415,000
Total revenues	<u>578,601</u>
Expenses:	
Salaries and benefits	279,888
Travel	19,099
Contractual services	78,065
Rent	27,100
Marketing and communication	13,044
Program	63,780
Conference and meeting	6,687
Legal fees	1,643
Office supplies	7,613
Insurance	15,626
Depreciaton	1,173
Miscellaneous	12,686
Total expenses	<u>526,404</u>
Operating income	52,197
Non-operating revenue:	
Interest income	389
Change in net assets	52,586
Net assets beginning of year	<u>481,275</u>
Net assets end of year	<u><u>\$ 533,861</u></u>

See notes to financial statements.

Exhibit C

Iowa Innovation Corporation

Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities:	
Cash received from contributions	\$ 126,000
Cash received from grants	67,111
Cash received from marketing	103,750
Cash received from program revenues	81,334
Cash received from program management	357,084
Cash paid for goods and services	(233,249)
Cash paid to employees for salaries and benefits	(280,693)
Net cash provided by operating activities	<u>221,337</u>
Cash flows from investing activities:	
Interest received	<u>389</u>
Net increase in cash and cash equivalents	221,726
Cash and cash equivalents beginning of year	<u>193,993</u>
Cash and cash equivalents end of year	<u><u>\$ 415,719</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 52,197
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,173
Changes in assets and liabilities:	
Decrease in contributions receivable	126,000
Decrease in accounts receivable	30,678
Decrease in prepaid expense	3,820
Increase in accounts payable	8,274
Decrease in compensation payable	(805)
Net cash provided by operating activities	<u><u>\$ 221,337</u></u>

See notes to financial statements.

Iowa Innovation Corporation
Notes to Financial Statements
June 30, 2015

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Iowa Innovation Corporation (Corporation) was established as a non-profit corporation in October 2011 by Chapter 15.107 of the Code of Iowa for the purpose of receiving and disbursing funds from public and private sources to further the overall development and economic well-being of the State of Iowa.

The Iowa Innovation Corporation is a nonprofit corporation organized under Chapter 504 of the Code of Iowa and qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from taxation.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Purchases of equipment providing future benefits are capitalized and depreciated.

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Corporation and changes therein are classified and reported as follows:

Restricted net assets – consists of net assets restricted for use in accordance with donor imposed restrictions.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

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.

D. Assets, Liabilities and Net Assets

Cash and Cash Equivalents – The Corporation considers its savings account to be a cash equivalent.

Equipment – Purchased equipment is stated at cost. Donated capital assets are valued at the estimated fair value on the date of donation. Capital assets are defined by the Iowa Innovation Corporation as assets with initial, individual costs in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 5 years. At June 30, 2015, the Iowa Innovation Corporation had no capital assets.

Compensated Absences – Corporation employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Unused vacation and sick leave balances are not paid out upon the end of employment.

(2) Contributions Receivable

Contributions receivable at June 30, 2015 consist of the following:

Unrestricted contributions	<u>\$ 5,000</u>
Amounts due in less than one year	<u>\$ 5,000</u>

(3) Lease Commitment

The Corporation occupies office space under a long-term operating lease which expires June 30, 2018.

The following is a schedule, by year, of the future minimum rental payments required under the operating lease as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 19,380
2017	19,380
2018	<u>19,380</u>
Total	<u>\$ 58,140</u>

Rental expense under this lease for the year ended June 30, 2015 totaled \$25,200.

(4) Risk Management

The Corporation is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Corporation assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



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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 of the
Iowa Innovation Corporation:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Iowa Innovation Corporation as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, and have issued our report thereon dated January 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Iowa Innovation Corporation's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iowa Innovation Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iowa Innovation Corporation'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 a material misstatement of the Corporation's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit, we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist which have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Innovation Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Innovation Corporation during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 28, 2016

Iowa Innovation Corporation

Schedule of Findings

June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Iowa Innovation Corporation

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Jenny M. Podrebarac, Senior Auditor II
Carolina M. Chavez, Assistant Auditor
Jacob Bennett, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State