

THE IDEA VILLAGE, INC.

FINANCIAL STATEMENTS

June 30, 2018 and 2017

THE IDEA VILLAGE, INC.
NEW ORLEANS, LOUISIANA

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WEGMANN DAZET & COMPANY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Idea Village, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Idea Village, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Idea Village, Inc. as of June 30, 2018 and 2017, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Summary of Compensation, Benefits and Other Payments to Agency Heads is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report November 27, 2018 on our consideration of The Idea Village, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants 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 Idea Village, Inc.'s internal control over financial reporting and compliance.

November 27, 2018



THE IDEA VILLAGE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 367,267	\$ 1,079,031
Notes receivable, net of allowance	100,000	100,000
Accounts receivable	<u>15,087</u>	<u>16,608</u>
Total current assets	482,354	1,195,639
Property and equipment, at cost less accumulated depreciation	-	9,956
Deposits	<u>-</u>	<u>5,551</u>
Total assets	<u>\$ 482,354</u>	<u>\$ 1,211,146</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 14,497	\$ 8,255
Other current liabilities	2,212	4,036
Deferred revenue	<u>110,000</u>	<u>6,700</u>
Total current liabilities	<u>126,709</u>	<u>18,991</u>
NET ASSETS		
Net assets		
Unrestricted	180,994	993,039
Temporarily restricted	<u>174,651</u>	<u>199,116</u>
Total net assets	<u>355,645</u>	<u>1,192,155</u>
Total liabilities and net assets	<u>\$ 482,354</u>	<u>\$ 1,211,146</u>

See accompanying Notes to Financial Statements.

THE IDEA VILLAGE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Donations	\$ 453,506	\$ 432,060	\$ 885,566
Other revenue	11,239	-	11,239
Net assets released from restrictions	<u>456,525</u>	<u>(456,525)</u>	<u>-</u>
Total revenues	<u>921,270</u>	<u>(24,465)</u>	<u>896,805</u>
Expenses			
Program services			
Fundraising	217,095	-	217,095
Supporting services			
Core activities	1,305,158	-	1,305,158
General and administrative	<u>211,062</u>	<u>-</u>	<u>211,062</u>
Total expenses	<u>1,733,315</u>	<u>-</u>	<u>1,733,315</u>
Change in net assets	(812,045)	(24,465)	(836,510)
Net assets			
Beginning of year	<u>993,039</u>	<u>199,116</u>	<u>1,192,155</u>
End of year	<u>\$ 180,994</u>	<u>\$ 174,651</u>	<u>\$ 355,645</u>

See accompanying Notes to Financial Statements.

THE IDEA VILLAGE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues			
Fees	\$ 10,175	\$ -	\$ 10,175
Donations	1,477,448	793,850	2,271,298
Other revenue	540,442	-	540,442
Net assets released from restrictions	709,487	(709,487)	-
Total revenues	2,737,552	84,363	2,821,915
Expenses			
Program services			
Fundraising	139,008	-	139,008
Supporting services			
Core activities	2,137,904	-	2,137,904
General and administrative	278,909	-	278,909
Total expenses	2,555,821	-	2,555,821
Change in net assets	181,731	84,363	266,094
Net assets			
Beginning of year	811,308	114,753	926,061
End of year	\$ 993,039	\$ 199,116	\$ 1,192,155

See accompanying Notes to Financial Statements.

THE IDEA VILLAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	<u>Programming Services</u>		<u>General and Administrative</u>	<u>Total Expenses</u>
	<u>Fundraising</u>	<u>Core Activities</u>		
Accounting	\$ 5,011	\$ 36,705	\$ 20,330	\$ 62,046
Auto rental	-	62	486	548
Bad debt expense	-	100,000	-	100,000
Bank service charge	-	-	2,962	2,962
Contract labor fees	-	65,600	-	65,600
Depreciation	-	-	674	674
Events expense	804	228,942	100	229,846
Information technology	-	47,708	12,960	60,668
Insurance	1,043	7,721	899	9,663
In-kind expense	-	160,015	4,557	164,572
Marketing	-	3,964	90	4,054
Meals and entertainment	-	-	341	341
Meeting	-	1,410	691	2,101
Office supplies	-	26	1,214	1,240
Other expense	-	924	11,723	12,647
Parking and tolls	648	4,003	19,417	24,068
Payroll service fees	-	-	3,619	3,619
Payroll taxes and employee benefits	21,387	65,598	12,877	99,862
Postage and delivery	167	-	244	411
Printing and reproduction	795	3,417	5,007	9,219
Production	-	2,340	-	2,340
Professional fees	-	-	25,082	25,082
Public relations	-	16,828	8,333	25,161
Rent expense	7,164	54,354	10,803	72,321
Salary and wages	180,076	500,534	62,508	743,118
Travel	-	5,007	6,145	11,152
	<u>\$ 217,095</u>	<u>\$ 1,305,158</u>	<u>\$ 211,062</u>	<u>\$ 1,733,315</u>
Total expenses	<u>\$ 217,095</u>	<u>\$ 1,305,158</u>	<u>\$ 211,062</u>	<u>\$ 1,733,315</u>

See accompanying Notes to Financial Statements.

THE IDEA VILLAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Programming Services		General and Administrative	Total Expenses
	Fundraising	Core Activities		
Accounting	\$ 7,138	\$ 52,821	\$ 13,270	\$ 73,229
Auto rental	-	20	-	20
Bad debt expense	-	-	5,199	5,199
Bank service charge	-	-	4,381	4,381
Computer services and supplies	-	3,719	809	4,528
Contract labor fees	-	132,218	6,875	139,093
Development	17,939	-	-	17,939
Depreciation	-	4,349	-	4,349
Dues and subscriptions	-	-	432	432
401k administration fee	-	-	3,135	3,135
Events expense	2,803	735,134	-	737,937
Information technology	2,693	103,569	7,116	113,378
Insurance	512	48,262	13,634	62,408
In-kind expense	-	150,250	-	150,250
Licenses and permits	-	-	65	65
Marketing	217	64,185	(8,350)	56,052
Meals and entertainment	-	1,393	4,892	6,285
Office supplies	635	7,111	1,586	9,332
Other expense	-	60,742	36	60,778
Parking and tolls	1,166	16,309	3,974	21,449
Payroll service fees	-	-	3,538	3,538
Payroll taxes and employee benefits	13,229	-	53,144	66,373
Postage and delivery	612	571	81	1,264
Printing and reproduction	568	2,241	277	3,086
Production	-	15,400	-	15,400
Professional fees	-	61,971	-	61,971
Professional development	300	4,906	583	5,789
Program expenses	-	61,942	-	61,942
Public relations	-	39,826	-	39,826
Rent expense	8,383	62,037	13,413	83,833
Salary and wages	82,813	495,809	148,448	727,070
Travel	-	13,059	2,371	15,430
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 139,008</u>	<u>\$ 2,137,904</u>	<u>\$ 278,909</u>	<u>\$ 2,555,821</u>

See accompanying Notes to Financial Statements.

THE IDEA VILLAGE, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (836,510)	\$ 266,094
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	674	4,349
Allowance for uncollectible note receivable	100,000	-
Gain on the disposal of assets	(718)	-
(Increase) decrease in operating assets:		
Receivables	1,521	30,226
Other current assets	5,551	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	6,242	(2,332)
Deferred revenue	103,300	(93,300)
Other current liabilities	(1,824)	2,147
Net cash (used) provided by operating activities	<u>(621,764)</u>	<u>207,184</u>
Cash flows from investing activities:		
Advances on notes receivable	(100,000)	(100,000)
Proceeds from disposal of assets	10,000	-
Net cash used by investing activities	<u>(90,000)</u>	<u>(100,000)</u>
Net (decrease) increase in cash	(711,764)	107,184
Cash and cash equivalents at beginning of year	<u>1,079,031</u>	<u>971,847</u>
Cash and cash equivalents at end of year	<u>\$ 367,267</u>	<u>\$ 1,079,031</u>

See accompanying Notes to Financial Statements.

THE IDEA VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

1) Nature of activities

Founded in 2000, The Idea Village, Inc. (the “Village”) is an independent 501(c)3 nonprofit organization with a mission to identify, support, and retain entrepreneurial talent in New Orleans. The Idea Village, Inc. kickstarted the entrepreneurial ecosystem and is committed to a collaborative and inclusive network for New Orleans through two core programs: IDEAx Accelerator and New Orleans Entrepreneur Week. The IDEAx Accelerator helps local entrepreneurs ignite their startup through mentorship, peer-to-peer learning, educational programming, and access to pro bono professional services. New Orleans Entrepreneur Week is a free conference to ignite innovation and entrepreneurship in the region.

2) Summary of significant accounting policies

The significant accounting policies followed by the Village are summarized as follows:

(a) Financial statement presentation

The Village’s policy is to prepare its financial statements on the accrual basis of accounting, which recognizes all revenues and the related assets when earned and all expenses and the related obligations when incurred.

(b) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. 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.

(c) Cash and cash equivalents

All cash-related items having a maturity of three months or less from the original maturity date are classified as cash and cash equivalents.

(d) Accounts receivable

Accounts are considered overdue if uncollected within ninety days of the original invoice. The Village writes off uncollectible accounts as they are identified. No allowance for uncollectible accounts has been provided, as management has evaluated the accounts and believes they are all collectible.

(e) Depreciation of property and equipment

Depreciation of the buildings, equipment, computers, furniture and fixtures, closing cost and leasehold improvements is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from 3 to 39 years.

Property and equipment are stated at cost. Additions, renewals, and betterments that add materially to the productive capacity or extend the life of an asset are capitalized. Expenditures for maintenance and repairs, which do not extend the life of the applicable assets, are charged to expense as incurred. Upon retirement or disposal of an asset, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting gain or loss is included in the Statement of Activities.

THE IDEA VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

2) Summary of significant accounting policies (continued)

(f) Taxes

The Village is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Village has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Village files Form 990 and Form 990 T tax returns in the U.S. federal jurisdiction and in various states.

The Village adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Management of the Village believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits. With few exceptions, the Village is no longer subject to U.S. federal, state and local, or income tax examinations by tax authorities for a period of three years from the filing of those returns.

(g) Fundraising

All expenses associate with the fundraising event are expensed as incurred.

(h) Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Concentration of credit risk

Financial instruments that potentially subject the Village to concentrations of credit risk consist principally of cash deposits. The Village may at times have cash on deposit at financial institutions that is in excess of federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Village has not experienced any losses in such accounts. The Village has no policy requiring collateral or other security to support its deposits.

(j) Promises to give

Unconditional promises to give are recognized when the donor makes a promise to give. Conditional promises to give are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(k) Donated services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Village.

The Village received volunteer help to provide consulting services to entrepreneurs and other donated services to assist with meeting and event expenses. The estimated value of the contributed services for the years ended June 30, 2018 and 2017 was \$164,572 and \$150,250, respectively.

THE IDEA VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

2) Summary of significant accounting policies (continued)

(l) Donated property and equipment

Noncash donations are recorded as contributions at their fair values at the date of donations. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

(m) Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Village.

3) Restrictions on net assets

The Village operates many initiatives in the New Orleans area to help support entrepreneurs.

Temporarily restricted net assets are available for the following initiatives:

	<u>2018</u>	<u>2017</u>
Idea Pitch Equity Investment	\$ 100,000	\$ 100,000
Innovation and Entrepreneurship in Oil and Gas Industry	74,651	74,651
Expansion of Idea Village, Inc. and NOEW	-	24,465
Total temporarily restricted assets	<u>\$ 174,651</u>	<u>\$ 199,116</u>

4) Property and equipment

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Computers	\$ -	\$ 40,526
Furniture and fixtures	-	48,904
Leasehold improvements	-	18,543
Total costs	-	107,973
Less: accumulated depreciation	-	98,017
Property and equipment	<u>\$ -</u>	<u>\$ 9,956</u>

THE IDEA VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

5) Operating lease

The Village entered into a lease agreement effective August 1, 2017 for office space. The lease expires in July 2022, unless terminated early in accordance with the lease agreement. Future minimum rental payments under the lease are as follows:

<u>Year Ending</u>	<u>Amount</u>
2019	\$ 102,750
2020	105,832
2021	109,007
2022	112,278
2023	9,379

6) Agency transactions

The Village receives donated consulting and legal services from various businesses throughout the year. These services are then passed on to the entrepreneurs. The total amount received during 2018 and 2017 was approximately \$54,000 and \$94,500, respectively.

7) Line of Credit

As of June 30, 2018, pursuant to an agreement with a bank, the Organization had available a \$200,000 line of credit, none of which was outstanding at that date.

8) Convertible promissory note

On September 16, 2016, the Organization entered into an unsecured convertible promissory note for \$100,000 with a company. The note bears interest at 8% and matured March 15, 2018. If on or before maturity the company enters into an agreement to issue and sell its equity securities in a transaction or series of related transactions resulting in aggregate gross proceeds to the company of at least \$2,000,000 then the note will automatically convert into equity securities. The note receivable is in the process of being converted into equity securities. As of the date of the auditors' report, the transaction has not been completed.

On August 21, 2017, the Organization entered into an unsecured convertible promissory note for \$100,000 with a company. The note bears interest at 8% and matures August 21, 2019. If on or before maturity the company enters into an agreement to issue and sell its equity securities in a transaction or series of related transactions resulting in aggregate gross proceeds to the company of at least \$1,000,000 then the note will automatically convert into equity securities.

Total notes receivable at June 30, 2018 was \$100,000, net of allowance for doubtful accounts. Total note receivable at June 30, 2017 was \$100,000. The allowance for notes receivable at June 30, 2018 was \$100,000.

9) Subsequent events

The Village has evaluated subsequent events through the date of the auditors' report, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.



WEGMANN DAZET & COMPANY

INDEPENDENT AUDITORS' 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

Board of Directors
The Idea Village, Inc.
New Orleans, Louisiana

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 The Idea Village, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon November 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Idea Village, Inc.'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 The Idea Village, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Idea Village, Inc.'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 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 The Idea Village, Inc.'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

November 27, 2018

A handwritten signature in cursive script that reads "Wegmann Dayet & Co". The signature is written in dark ink on a light-colored background.

THE IDEA VILLAGE, INC.
SUMMARY OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD
For the Year Ended June 30, 2018

SUMMARY OF COMPENSATION

- None of the agency head's compensation was derived from state and/or local assistance.