



FINANCIAL STATEMENTS

June 30, 2013 and 2012

With Independent Accountant's Review Report





INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
North Shore InnoVentures, Inc.

We have reviewed the accompanying statements of financial position of North Shore InnoVentures, Inc. as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
May 13, 2014

North Shore InnoVentures, Inc.
Statements of Financial Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash	\$ 81,577	\$ 40,403
Certificate of deposit	28,928	28,816
Accounts receivable, net	53,611	115,769
Prepaid expenses	<u>-</u>	<u>2,975</u>
Total current assets	164,116	187,963
Lab equipment, net	20,417	-
Security deposits	<u>22,650</u>	<u>16,200</u>
Total assets	<u>\$ 207,183</u>	<u>\$ 204,163</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 4,464	\$ 12,968
Loan payable to officer	29,782	29,212
Refundable deposits	28,245	16,910
Deferred revenue	<u>36,583</u>	<u>40,959</u>
Total current liabilities and total liabilities	<u>99,074</u>	<u>100,049</u>
Commitment (Note 2)		
Net assets		
Unrestricted	108,109	97,522
Temporarily restricted	<u>-</u>	<u>6,592</u>
Total net assets	<u>108,109</u>	<u>104,114</u>
Total liabilities and net assets	<u>\$ 207,183</u>	<u>\$ 204,163</u>

See independent accountant's review report. The accompanying notes are an integral part of these financial statements.

North Shore InnoVentures, Inc.

Statements of Activities

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Revenues and support		
Service fees	\$ 162,996	\$ 94,898
Sponsorships	75,450	56,333
Contributions in-kind	393,517	447,432
Grants and contracts	246,286	168,000
Net assets released from restriction	<u>6,592</u>	<u>-</u>
Total revenues and support	<u>884,841</u>	<u>766,663</u>
Operating expenses		
Salaries and benefits	172,761	154,559
Contractual and professional services	322,735	294,641
Occupancy	285,144	260,022
Management and general	<u>93,156</u>	<u>18,742</u>
Total operating expenses	<u>873,796</u>	<u>727,964</u>
Increase in unrestricted net assets from operations	<u>11,045</u>	<u>38,699</u>
Nonoperating income (expense)		
Interest expense	(570)	(570)
Interest income	<u>112</u>	<u>245</u>
Total nonoperating expense	<u>(458)</u>	<u>(325)</u>
Increase in unrestricted net assets	<u>10,587</u>	<u>38,374</u>
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restriction	<u>(6,592)</u>	<u>-</u>
Decrease in temporarily restricted net assets	<u>(6,592)</u>	<u>-</u>
Increase in net assets	3,995	38,374
Net assets, beginning of year	<u>104,114</u>	<u>65,740</u>
Net assets, end of year	<u>\$ 108,109</u>	<u>\$ 104,114</u>

See independent accountant's review report. The accompanying notes are an integral part of these financial statements.

North Shore InnoVentures, Inc.

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase in net assets	\$ 3,995	\$ 38,374
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	583	3,700
Provision for doubtful accounts	11,120	-
Loss on disposal of leasehold improvements	-	3,237
Accrued interest on loan payable to officer	570	570
Reinvested interest income on certificate of deposit	(112)	(245)
(Increase) decrease in:		
Accounts receivable	51,038	(64,461)
Prepaid expenses	2,975	(2,975)
Security deposits	(6,450)	(6,700)
(Decrease) increase in:		
Accounts payable	(8,505)	1,033
Refundable deposits	11,335	15,210
Deferred revenue	<u>(4,375)</u>	<u>11,918</u>
Net cash provided (used) by operating activities	62,174	(339)
Cash flows from investing activities		
Acquisition of lab equipment	<u>(21,000)</u>	<u>-</u>
Net increase (decrease) in cash	41,174	(339)
Cash, beginning of year	<u>40,403</u>	<u>40,742</u>
Cash, end of year	<u>\$ 81,577</u>	<u>\$ 40,403</u>

See independent accountant's review report. The accompanying notes are an integral part of these financial statements.

North Shore InnoVentures, Inc.

Notes to Financial Statements

June 30, 2013 and 2012

Nature of Business

North Shore InnoVentures, Inc. (NSIV) was established in 2008. NSIV is a not-for-profit corporation incorporated under the provisions of the laws of the Commonwealth of Massachusetts. NSIV operates a technology business incubator to nurture innovative early-stage companies and support sustained economic growth.

1. Summary of Significant Accounting Policies

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified as follows based on the existence or absence of donor-imposed restrictions:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of NSIV and/or the passage of time. 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 activities as net assets released from restriction. As of June 30, 2013, NSIV did not have any temporarily restricted net assets. Temporarily restricted net assets as of June 30, 2012 represented funds received from a grant that were restricted for the purchase of equipment.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by NSIV. As of June 30, 2013 and 2012, NSIV did not have any permanently restricted net assets.

See independent accountant's review report.

North Shore InnoVentures, Inc.

Notes to Financial Statements

June 30, 2013 and 2012

Cash and Certificate of Deposit

NSIV maintains its cash and certificate of deposit in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and the certificate of deposit.

Interest is accrued each month based on the interest rate stated on the certificate of deposit. At June 30, 2013, the certificate pays interest at a rate of 0.35% and has a maturity date of March 30, 2014. The certificate of deposit automatically renewed on March 30, 2014.

Revenue Recognition

Revenue from sponsors, member companies, and granting agencies are recognized when earned. Certain sponsors, member companies, and granting agencies are billed in advance. Such amounts are accounted for as deferred revenue and are recognized as revenue over the period the services are provided.

Contributions In-Kind

NSIV receives in-kind support that consists primarily of information technology products and services, accounting and legal services, consulting and management, lease space and lab supplies. These contributions in-kind are accounted for in the period in which the product or services of exchange transpire at the estimated fair value as of the date of the transaction.

The total value of the in-kind support for the years ended June 30, 2013 and 2012 is comprised of the following:

	<u>2013</u>	<u>2012</u>
Information technology	\$ 8,651	\$ 8,160
Accounting	24,067	29,643
Legal	23,922	83,761
Consulting and management	142,500	151,957
Rent	118,578	173,911
Lab supplies	<u>75,799</u>	<u>-</u>
	<u>\$ 393,517</u>	<u>\$ 447,432</u>

See independent accountant's review report.

North Shore InnoVentures, Inc.

Notes to Financial Statements

June 30, 2013 and 2012

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written-off through the allowance for doubtful accounts.

Accounts receivable consisted of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Member companies	\$ 16,149	\$ 10,005
Granting agencies	44,082	77,264
Sponsors	<u>4,500</u>	<u>28,500</u>
Accounts receivable	64,731	115,769
Less allowance for doubtful accounts	<u>(11,120)</u>	<u>-</u>
Accounts receivable, net	<u>\$ 53,611</u>	<u>\$ 115,769</u>

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

Property and equipment consists of lab equipment with an estimated useful life of 3 years. The cost basis and accumulated depreciation of lab equipment was \$21,000 and \$583, respectively, at June 30, 2013. Depreciation expense was \$583 and \$3,700 for the years ended June 30, 2013 and 2012, respectively. Depreciation expense incurred during the year ended June 30, 2012 resulted from furniture that was disposed of as of June 30, 2012.

Income Taxes

The Internal Revenue Service has determined that NSIV is exempt from taxation under the Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes has been reflected in these financial statements.

See independent accountant's review report.

North Shore InnoVentures, Inc.

Notes to Financial Statements

June 30, 2013 and 2012

Reclassification

Certain amounts in the 2012 financial statements have been reclassified to conform to the current year's presentation.

2. Operating Lease

NSIV leases office and lab space under a non-cancelable operating lease agreement that was set to expire on May 30, 2014 with monthly payments of approximately \$11,300. On October 3, 2013, NSIV entered into an agreement to extend the lease for an additional term ending on October 14, 2014 with monthly payments of approximately \$8,429. Total rent expense charged to operations was \$223,020 and \$199,398, during the years ended June 30, 2013 and 2012, respectively, which includes contributed occupancy expenses. Future minimum lease payments under the lease as of June 30, 2013 are approximately \$124,000.

As a condition of the lease agreement, NSIV is required to maintain an irrevocable standby letter of credit in the amount of \$28,500 as a security deposit. This letter of credit is collateralized by a certificate of deposit.

3. Concentration

Revenue from granting agencies during the years ended June 30, 2013 and 2012 is comprised of the following:

	<u>2013</u>	<u>2012</u>
Grant agency 1	\$ 134,236	\$ 77,264
Grant agency 2	92,050	-
Grant agency 3	20,000	-
Grant agency 4	-	50,000
Grant agency 5	-	40,736
	<u> </u>	<u> </u>
	<u>\$ 246,286</u>	<u>\$ 168,000</u>

4. Related Party Transactions

NSIV has an unsecured note payable to an officer that was originally due on April 1, 2012, with simple interest at a rate of 2% per annum. Interest expense amount to \$570 for the years ended June 30, 2013 and 2012. Unpaid interest is accrued and included in the principal balance. The principal and accrued interest due on the loan payable to officer of \$30,171 were paid in March 2014.

See independent accountant's review report.

North Shore InnoVentures, Inc.

Notes to Financial Statements

June 30, 2013 and 2012

5. Functional Expenses

NSIV has one major service program providing business incubation to foster the growth of its member companies, create jobs, and encourage innovation in the cleantech and biotech fields. Expenses, reported by their functional classification, consisted of the following for the years ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Program	\$ 802,047	\$ 654,804
Fundraising	29,799	28,887
General and administrative	<u>41,950</u>	<u>44,273</u>
	<u>\$ 873,796</u>	<u>\$ 727,964</u>

6. Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. generally accepted accounting principles, NSIV has considered transactions or events occurring through May 13, 2014, which was the date that the financial statements were available to be issued.

In July 2013, NSIV signed a memorandum of understanding with four local institutions of higher learning to establish the North Shore Biotech Consortium (the Consortium). The Consortium applied for and, in March 2013, received notice of a capital award of \$5,000,000 from the Massachusetts Life Sciences Center for a three-year program starting in July 2014 to purchase equipment and provide enhanced training for students and members of our incubation programs. NSIV's share of this grant is approximately \$1,600,000.

In September 2013, NSIV was awarded a grant of \$60,000 from the Massachusetts Clean Energy Center to support the cleantech incubation program.

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