



FINANCIAL STATEMENTS

June 30, 2014 and 2013

With Independent Accountant's Review Report





INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
North Shore InnoVentures, Inc.

We have reviewed the accompanying statements of financial position of North Shore InnoVentures, Inc. (NSIV) as of June 30, 2014 and 2013, 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 NSIV's 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, 2015

NORTH SHORE INNOVENTURES, INC.

Statements of Financial Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash	\$ 92,371	\$ 81,577
Certificate of deposit	29,030	28,928
Accounts receivable, net	<u>98,655</u>	<u>53,611</u>
Total current assets	220,056	164,116
Lab equipment, net	43,417	20,417
Security deposits	<u>22,650</u>	<u>22,650</u>
Total assets	<u>\$ 286,123</u>	<u>\$ 207,183</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 12,118	\$ 4,464
Loan payable to officer	-	29,782
Refundable deposits	41,715	28,245
Deferred revenue	<u>88,250</u>	<u>36,583</u>
Total current liabilities and total liabilities	142,083	99,074
Net assets		
Unrestricted	<u>144,040</u>	<u>108,109</u>
Total liabilities and net assets	<u>\$ 286,123</u>	<u>\$ 207,183</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Revenues and support		
Service fees	\$ 257,737	\$ 162,996
Sponsorships	109,833	75,450
Contributions in-kind	329,953	393,517
Grants and contracts	83,483	246,286
Donation of lab equipment	34,389	-
Net assets released from restriction	<u>-</u>	<u>6,592</u>
Total revenues and support	<u>815,395</u>	<u>884,841</u>
Operating expenses		
Salaries and benefits	188,913	172,761
Contractual and professional services	278,162	322,735
Occupancy	278,263	285,144
Management and general	<u>33,838</u>	<u>93,156</u>
Total operating expenses	<u>779,176</u>	<u>873,796</u>
Increase in unrestricted net assets from operations	<u>36,219</u>	<u>11,045</u>
Nonoperating (expense) income		
Interest expense	(389)	(570)
Interest income	<u>101</u>	<u>112</u>
Net nonoperating expense	<u>(288)</u>	<u>(458)</u>
Increase in unrestricted net assets	<u>35,931</u>	<u>10,587</u>
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restriction	<u>-</u>	<u>(6,592)</u>
Decrease in temporarily restricted net assets	<u>-</u>	<u>(6,592)</u>
Increase in net assets	35,931	3,995
Net assets, beginning of year	<u>108,109</u>	<u>104,114</u>
Net assets, end of year	<u>\$ 144,040</u>	<u>\$ 108,109</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Increase in net assets	\$ 35,931	\$ 3,995
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	13,000	583
Donation of lab equipment	(34,389)	-
Accrued interest on loan payable to officer	389	570
Reinvested interest income on certificate of deposit	(101)	(112)
(Increase) decrease in:		
Accounts receivable	(45,044)	62,158
Prepaid expenses	-	2,975
Security deposits	-	(6,450)
Increase (decrease) in:		
Accounts payable	7,654	(8,505)
Refundable deposits	13,470	11,335
Deferred revenue	<u>51,667</u>	<u>(4,375)</u>
Net cash provided by operating activities	42,577	62,174
Cash flows from investing activities		
Acquisition of lab equipment	(1,612)	(21,000)
Cash flows from financing activities		
Repayment of loan payable to officer	<u>(30,171)</u>	<u>-</u>
Net increase in cash	10,794	41,174
Cash, beginning of year	<u>81,577</u>	<u>40,403</u>
Cash, end of year	\$ <u>92,371</u>	\$ <u>81,577</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, 2014 and 2013

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. Restricted contributions are reported as unrestricted support if the restrictions are met in the same reporting period. As of June 30, 2014 and 2013, NSIV did not have any temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by NSIV. As of June 30, 2014 and 2013, 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, 2014 and 2013

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, 2014, the certificate pays interest at a rate of 0.35% and had a maturity date of March 30, 2015. The certificate of deposit automatically renewed on March 30, 2015.

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, 2014 and 2013 is comprised of the following:

	<u>2014</u>	<u>2013</u>
Information technology	\$ 7,305	\$ 8,651
Accounting	9,419	24,067
Legal	75,349	23,922
Technical consulting	129,132	142,500
Rent	108,748	118,578
Lab supplies	-	75,799
	<u>\$ 329,953</u>	<u>\$ 393,517</u>

See independent accountant's review report.

NORTH SHORE INNOVENTURES, INC.

Notes to Financial Statements

June 30, 2014 and 2013

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>2014</u>	<u>2013</u>
Member companies	\$ 38,477	\$ 16,149
Granting agencies	22,098	44,082
Sponsors	<u>42,500</u>	<u>4,500</u>
Accounts receivable	103,075	64,731
Less allowance for doubtful accounts	<u>(4,420)</u>	<u>(11,120)</u>
Accounts receivable, net	<u>\$ 98,655</u>	<u>\$ 53,611</u>

Lab Equipment

Purchased lab equipment is recorded at cost. Donations of lab 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.

Lab equipment has an estimated useful life of 3 years. The cost basis of lab equipment was \$57,000 and \$21,000 at June 30, 2014 and 2013, respectively. The accumulated depreciation of lab equipment was \$13,583 and \$583 at June 30, 2014 and 2013, respectively. Depreciation expense was \$13,000 and \$583 for the years ended June 30, 2014 and 2013, respectively.

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, 2014 and 2013

2. Operating Lease

NSIV leases office and lab space under a non-cancelable operating lease agreement. During 2014, monthly payments ranged from \$8,302 to \$8,590. NSIV entered into an agreement to extend the lease for an additional term ending on October 14, 2015 with monthly payments of approximately \$10,400. Total rent expense charged to operations was \$210,696 and \$223,020 during the years ended June 30, 2014 and 2013, respectively, which includes contributed occupancy expenses.

Future minimum lease payments under the lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 123,000
2016	<u>42,000</u>
	<u>\$ 165,000</u>

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. Grants and Contracts

Revenue from granting agencies was comprised of the following for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Grant agency 1	\$ -	\$ 134,236
Grant agency 2	-	92,050
Grant agency 3	20,000	20,000
Grant agency 4	53,483	-
Grant agency 5	<u>10,000</u>	<u>-</u>
	<u>\$ 83,483</u>	<u>\$ 246,286</u>

4. Related Party Transactions

NSIV had 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 amounted to \$389 and \$570 for the years ended June 30, 2014 and 2013, respectively. Unpaid interest is accrued and included in the principal balance. The entire principal balance and accrued interest of \$30,171 due on the loan payable to the officer were paid in March 2014.

See independent accountant's review report.

NORTH SHORE INNOVENTURES, INC.

Notes to Financial Statements

June 30, 2014 and 2013

5. Functional Expenses

NSIV has one major service program offered to cleantech and biotech companies 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 at June 30:

	<u>2014</u>	<u>2013</u>
Program	\$ 713,871	\$ 802,047
Fundraising	30,015	29,799
General and administrative	<u>35,290</u>	<u>41,950</u>
	<u>\$ 779,176</u>	<u>\$ 873,796</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, 2015, 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 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.

On October 31, 2014, NSIV entered into a revolving line of credit with a bank. The maximum amount of borrowings is \$400,000. Amounts may be drawn for the purpose of reimbursable equipment purchases under the \$1,600,000 capital grant from the Massachusetts Life Sciences Center (MLSC). Amounts are due on demand. The line of credit is set to renew annually subject to review by the lender. The loan is collateralized by guarantee payments from the MLSC grant contract.

See independent accountant's review report.