

MISSOURI INCUTECH FOUNDATION
DBA
MISSOURI ENTERPRISE
AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Missouri IncuTech Foundation
dba Missouri Enterprise
Rolla, Missouri

We have audited the accompanying statement of financial position of Missouri IncuTech Foundation, *dba* Missouri Enterprise, (a nonprofit organization) as of June 30, 2010, and the related statements of activities and cash flows, for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

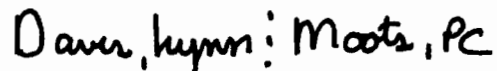
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri IncuTech Foundation *dba* Missouri Enterprise as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010, on our consideration of Missouri IncuTech Foundation *dba* Missouri Enterprise'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 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* and should be considered in assessing the results of our audit.

Board of Directors
Missouri IncuTech Foundation
dba Missouri Enterprise
Rolla, Missouri

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Missouri IncuTech Foundation *dba* Missouri Enterprise taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Davis, Lynn: Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
September 20, 2010

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

Current Assets

Cash	\$ 583,141
Certificates of deposit	50,000
Accounts receivable, net	291,904
Grants receivable	242,007
Prepaid expenses	<u>38,855</u>

TOTAL CURRENT ASSETS 1,205,907

Property, Plant and Equipment
Net of accumulated depreciation

80,190

Other Assets

Utility deposit	<u>5,490</u>
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TOTAL ASSETS \$ 1,291,587

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 41,685
Due to Universities	361,219
Deferred revenue	1,590
Accrued expenses payable	<u>148,918</u>

TOTAL LIABILITIES 553,412

Net Assets

Unrestricted	<u>738,175</u>
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TOTAL NET ASSETS 738,175

TOTAL LIABILITIES AND NET ASSETS \$ 1,291,587

See accompanying notes.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2010

PUBLIC SUPPORT AND REVENUE

Public Support

Federal grants	\$ 2,216,320
State grants	<u>669,592</u>

TOTAL SUPPORT 2,885,912

Other Revenue

Program service fees	2,335,135
Building rental income	79,073
Other income	13,289
Interest income	17,252
In-kind revenue	<u>1,526,885</u>

TOTAL OTHER REVENUE 3,971,634

TOTAL SUPPORT AND REVENUE 6,857,546

EXPENSES

Program services	6,538,450
General and administrative expenses	<u>704,062</u>

TOTAL EXPENSES 7,242,512

CHANGE IN NET ASSETS (384,966)

NET ASSETS AT BEGINNING OF YEAR

1,123,141

NET ASSETS AT END OF YEAR

\$ 738,175

See accompanying notes.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Federal and State grants	\$ 2,643,905
Program service fees	2,503,354
Other income	109,614
Salaries and related expenses	(4,766,681)
Contract services	(151,354)
Other operating expenses	<u>(1,227,324)</u>

NET CASH (USED) BY
OPERATING ACTIVITIES (888,486)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(72,815)
Sale of investments	<u>449,000</u>

NET CASH PROVIDED BY
INVESTING ACTIVITIES 376,185

NET (DECREASE) IN CASH
AND CASH EQUIVALENTS (512,301)

CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,095,442</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 583,141</u></u>

CHANGE IN NET ASSETS

Change in net assets	\$ (384,966)
Adjustment to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	67,248
(Increase) decrease in grants receivable	(242,007)
(Increase) decrease in accounts receivable	162,881
(Increase) decrease in other accounts receivable	3,748
(Increase) decrease in prepaid expenses	25,770
(Increase) decrease in utility deposit	(2,982)
Increase (decrease) in accounts payable	(462,488)
Increase (decrease) in due to universities	322,873
Increase (decrease) in deferred revenue	1,590
Increase (decrease) in accrued expenses	<u>(380,153)</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (888,486)

See accompanying notes.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Missouri IncuTech Foundation *dba* Missouri Enterprise was incorporated in September 1983 as a general not-for-profit corporation under Section 501(c)(3) of the IRS Code. Missouri Enterprise was incorporated with the stated purpose to “encourage and promote the effective utilization of regional public and private resources to incubate technology-based products, services, innovations, and businesses.”

Missouri Enterprise operates one of several innovation centers under contract with the Missouri Department of Economic Development. The purpose of the Innovation Center Program is to foster the development and commercialization of new technologies by providing technology based ventures with business and technical assistance, business incubator services, and research management services.

Missouri Enterprise also operates as a Manufacturing Extension Partnership (MEP) under a cooperative agreement with the National Institute of Standards and Technology (NIST), with matching funds provided by the Missouri Department of Economic Development. The purpose of the MEP is to increase the competitiveness of small and medium-sized manufacturers by providing them with hands-on business and technical assistance.

Missouri Enterprise’s other programs and activities include a contract with the State Environmental Improvement and Energy Resources Authority (EIERA) to promote the development of markets for recovered materials.

Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when both measurable and available. Expenses under the accrual basis of accounting are recorded when the liability is incurred.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of FASB ASC 958-205. Under FASB ASC 958-205, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. However, there was no temporarily or permanently restricted revenue or net assets during the year.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost or at their fair market value if donated. All long-lived assets with a cost, or fair market value if donated, of \$5,000 or more were capitalized and depreciated. Depreciation is computed on a straight-line basis over the estimated useful life of the asset.

Functional Expenses

Missouri Enterprise allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification. Various statistical bases allocate other expenses that are common to several programs.

The principal programs for Missouri Enterprise, as reported on the functional expense statement are as follows:

Program Services: Program services include all costs relating to direct services provided to Missouri Enterprise clients.

General and Administrative: General and administrative includes all costs relating to maintaining the central offices and support staff of Missouri Enterprise.

Missouri Enterprise did not incur any fundraising costs.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Missouri Enterprise considers all short-term investments with original maturities of three months or less at the financial statement date to be cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Exempt Status

Missouri Enterprise is a not-for-profit organization that is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Missouri Enterprise is not a private foundation.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Costs for advertising are expensed as incurred.

Grants and Contracts

Missouri Enterprise receives funding under various federal, state, and local grants and contracts: U.S. Department of Commerce National Institute of Standards and Technology *Manufacturing Extension Partnership*; Missouri Department of Economic Development; State Environmental Improvement and Energy Resource Authority.

Subsequent Events

Management has evaluated subsequent events through September 29, 2010, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles: a replacement of FASB Statement No. 162*. On July 1, 2009, *The Hierarchy of Generally Accepted Accounting Principles* was rendered irrelevant, and the FASB ASC became the source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. On the effective date of this statement, the ASC will supersede all then-existing non-SEC accounting and reporting standards, effective for financial statements issued for interim and annual periods ending after September 15, 2009.

NOTE B – CERTIFICATES OF DEPOSIT

Investments in certificates of deposit at June 30, 2010, consist of the following:

<u>Depository</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
US Bancorp - Parkside Bank	<u>\$ 50,000</u>	4.10%	10/12/2010

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE C – GRANTS RECEIVABLE

Grants receivable consists of amounts billed for services rendered, and for which amounts remain due from the funding sources at year-end. Since there is virtually no risk to the Organization for collection of these receivables, there has been no allowance for uncollectible grants receivable recognized.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of amounts due from customers for services performed within the year ended June 30, 2010. At June 30, 2010, the gross accounts receivable and the related allowance account information is as follows:

<u>Description</u>	<u>Amount</u>
Accounts Receivable	\$ 316,469
Less: Allowance for Uncollectible Accounts	(24,565)
Accounts Receivable, net	<u>\$ 291,904</u>

NOTE E – PREPAID EXPENSES

Prepaid expenses include prepaid insurance, and other miscellaneous items including prepaid rent on equipment, prepaid training, and prepaid program promotional sponsorships, etc. The balance of prepaid expenses at June 30, 2010, is as follows:

<u>Description</u>	<u>Amount</u>
Prepaid Insurance	\$ 23,840
Prepaid Other - Miscellaneous	15,015
Total Prepaid Assets	<u>\$ 38,855</u>

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE F – PROPERTY, PLANT AND EQUIPMENT

The cost and accumulated depreciation of building improvements and equipment are as follows:

Incubator Building and Improvements	\$ 522,264
Equipment	126,894
	<u>649,158</u>
Less: Accumulated Depreciation	(568,968)
	<u><u>\$ 80,190</u></u>

Depreciation charged to expense for the year ended June 30, 2010, was \$67,248.

NOTE G – CONTINGENCIES

The Organization receives federal and state grants for specific purposes that are subject to review and audit. These reviews and audits could lead to requests for reimbursement or withholding of future funding for expenses disallowed or for other noncompliance with terms of the grants. The amounts, if any, of expenses which may be disallowed cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

NOTE H – DUE TO UNIVERSITIES

Due to Universities represents amounts due to the Missouri University of Science & Technology (MS&T), University of Missouri-Kansas City, and University of Missouri-St. Louis for salaries and fringe and other operating expenses. Due to Universities at June 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Salaries & Fringe	\$ 333,699
Other Operating Expenses	27,520
	<u><u>\$ 361,219</u></u>

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE I – LEASE REVENUE

Missouri Enterprise leases facilities to certain businesses involved in its incubator program. These leases typically range from 12 to 60 months. Lessees have the option to cancel the lease with a 30-day notice with several leases requiring penalties ranging from one month's rent to one year's rent.

Future expected minimum rentals to be received under the lease agreements are as follows:

<u>Years Ended</u>	<u>Amount</u>
June 30, 2011	\$ 19,080
June 30, 2012	9,540
	<u>\$ 28,620</u>

NOTE J – IN-KIND REVENUE AND EXPENSE

In-kind revenue represents indirect cost reimbursements waived by Missouri University of Science & Technology (MS&T), University of Missouri-Kansas City (UMKC), and University of Missouri-St. Louis (UMSL) in connection with Missouri Enterprise employees who are contracted through MS&T, UMKC, and UMSL. The indirect cost reimbursement is calculated using the University's indirect cost rate established through negotiations with their federal cognizant agency. In-Kind revenue also represents contributions in connection with the Missouri Department of Economic Development contract, Associated Industries of Missouri contract, and the State Environmental Improvement and Energy Resources Authority contract. The in-kind charges are recorded as both revenue and expense on the general ledger of Missouri Enterprise and used toward the required match on various grants. The amount of in-kind revenue and expense for the year ended June 30, 2010, was \$1,526,885.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE K – OPERATING LEASES

Description	Maturity Date
<p><u>Missouri University of Science & Technology - Rolla - Land</u> Missouri Enterprise entered into a lease agreement with the Missouri University of Science & Technology on September 12, 1991, for approximately one acre of land adjacent to the Missouri Enterprise's previous location at 800 West 14th Street, Rolla, MO. Under the lease agreement, the University receives annual payments of \$1 for the twenty-year life of the lease. Missouri Enterprise's responsibility under the lease has been to arrange for the financing and construction of Missouri Enterprise's incubator facility. The University will assume ownership of the incubator facility building at the end of the twenty-year period, and at that time will offer Missouri Enterprise the option to lease space in the facility at the market rate for ten years thereafter.</p>	12/31/2011
<p><u>First Investors - Rolla - Office Space</u> Missouri Enterprise entered into an operating lease agreement with First Investors on October 1, 2007, for office space. The lease calls for monthly payments of \$4,200 for the two-year term.</p>	10/1/2010
<p><u>Plaza Towers - Springfield - Office Space</u> Missouri Enterprise entered into a lease agreement with Plaza Towers on January 1, 2010, for office space. The lease calls for monthly payments of \$100 for the one-year lease term.</p>	2/28/2015
<p><u>MBS Investors - Kansas City - Office Space</u> Missouri Enterprise entered into an operating lease agreement with MBS Investors on July 1, 2008, for office space. The lease calls for monthly payments of \$2,245 for the five-year lease.</p>	7/1/2013
<p><u>Golub Realty Services - St. Louis</u> Missouri Enterprise entered into a lease agreement with Golub Realty Services on July 1, 2010, for office space. The lease calls for monthly payments of \$2,982 for the five-year term.</p>	6/30/2015
<p><u>Southeast Missouri State University</u> Missouri Enterprise entered into a lease agreement with Southeast Missouri State University on July 2, 2010, for office space. The lease calls for monthly payments of \$285 over the five-year lease term.</p>	5/31/2015

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE K – OPERATING LEASES (continued)

Xerox Corporation - Copy Machine 11/27/2010

Missouri Enterprise entered into a lease agreement with Xerox Corporation on May 20, 2010, for a color copy machine. The lease calls for monthly payments of \$575 for the five-year lease term.

Time Warner Cable - Phones 6/3/2011

Missouri Enterprise entered into an operating lease with Time Warner Cable on June 6, 2008, for phones. The lease calls for monthly payments of \$354 for the thirty-six month term.

Xerox Corporation - Copy Machine 5/31/2015

Missouri Enterprise entered into a lease agreement with Xerox Corporation on May 20, 2010, for a color copy machine. The lease calls for monthly payments of \$532 for the five-year lease term.

IKON Financial Services - Copier 4/2/2011

Missouri Enterprise entered into an operating lease with IKON Financial Services on July 14, 2006, for a digital copier. The lease calls for monthly payments of \$162 for the three-year lease term. This lease was replaced on April 3, 2007. The new lease calls for monthly payments of \$286 for the four-year lease term.

IKON Financial Services - Copier 9/26/2013

During the year ended June 30, 2008, Missouri Enterprise entered into an operating lease with IKON Financial Services for a digital copier. The lease calls for monthly payments of \$174 for the five-year lease term.

The minimum lease payments under these leases are as follows:

<u>Years Ended</u>	<u>Amount</u>
June 30, 2010	\$ 117,746
June 30, 2011	118,799
June 30, 2012	120,377
June 30, 2013	95,015
June 30, 2014	96,594
	<u>\$ 548,531</u>

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE L – PROFIT SHARING PLAN AND TRUST

On July 1, 1996, Missouri Enterprise adopted the Missouri IncuTech Foundation 401(k) Profit Sharing Plan and Trust, and employee benefit plan covering all employees with one year of service who have attained 18 years of age. The plan excludes student employees whose employment is contingent upon short-term government grants. Employees meeting the participation criteria may share in an additional discretionary matching contribution. The amount of the discretionary contribution is determined annually by Missouri Enterprise management. Missouri Enterprise's pension plan cost for the year ended June 30, 2010, was \$111,502.

NOTE M – CONCENTRATION OF CREDIT RISK

Missouri Enterprise receives a large percentage of its revenue through grants made available to the Organization through the federal and state governments. If those contracts were not renewed for any reason, or if the receivables in connection with services rendered become uncollectible, the effect to the agency would be significant.

Missouri Enterprise maintains cash balances at several financial institutions located in the Rolla, Missouri area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The balance of the accounts at US Bank was \$167,677 at June 30, 2010. The account balance in excess of \$100,000 was covered by securities pledged against it through a collateral agreement with US Bank. The total bank balance of all accounts at Phelps County Bank was \$326,644 at June 30, 2010. Under an investment arrangement, Phelps County Bank sweeps excess balances to an investment pool that is backed by U.S. Government securities.

NOTE N – RELATED PARTY TRANSACTIONS

Missouri Enterprise operates very closely with the Missouri University of Science & Technology (MS&T). Several of the Organization's board members, including the board vice president, are employees of MS&T. Missouri Enterprise contracts with MS&T for various services. As described in Note K, Missouri Enterprise also leased a piece of property from MS&T.

Missouri Enterprise paid MS&T \$379,927 for services under the terms of a contract between Missouri Enterprise and MS&T. At June 30, 2010, Missouri Enterprise owes \$113,049 to MS&T for services rendered under this contract.

Missouri Enterprise maintains three accounts at Phelps County Bank. The board chair of Missouri Enterprise is the president of this bank. As referenced in Note M, the balance of these accounts totaled \$326,644 at June 30, 2010.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE O – MISSOURI SEED CAPITAL FUND

Pursuant to legislation passed in 1999 titled the “Missouri New Enterprise Creation Act” (RSMo 620.635-653), Missouri Enterprise, as one of the state’s four Innovation Centers, entered into limited partnership agreements dated May 10, 2001, for qualified seed capital funds. In exchange for equity interest in the funds, the Innovation Centers granted the entities the right to issue Missouri tax credits for qualified contributions to the funds. As a Class II limited partner in the two entities – Prolog Capital A, L.P., and Prolog Capital B, L/P., Missouri Enterprise is entitled to 5% of portfolio income and 5% of capital distributions after other required capital distributions have been satisfied. Pursuant to the legislation, Missouri Enterprise is required to reinvest any income or capital distributions back into a qualified fund. As of June 30, 2010, Missouri Enterprise’s equity interest in the funds (according to unaudited internally prepared statements) was zero.

The activity for these funds is not reflected in the Missouri Enterprise’s financial statements as of June 30, 2010.

NOTE P – LEONARD WOOD INSTITUTE

Leonard Wood Institute was formed by Missouri Enterprise in December 2003 as a separate nonprofit corporation. The Institute was granted 501(c)(3) status by the Internal Revenue Service on August 11, 2005. The Institute was formed as a member-based nonprofit corporation, with Missouri Enterprise as the sole member (exercising 100% control over the organization), until such time it was deemed appropriate to admit other members. In May 2006, the Missouri Enterprise Board of Directors voted to allow four additional individual members to LWI, thereby retaining only 20% control of the activities of the organization. In June 2008, through a competitive bid process, Missouri Enterprise was selected to provide grant administration and financial assistance. The amount of the contract was \$124,000 plus related expenses. The Institute has also contracted with Missouri Enterprise for programmatic support services; the contracted amount is \$43,700.

OTHER FINANCIAL INFORMATION

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
 STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended June 30, 2010

	Program Services	General & Administrative	Total
Salaries	\$ 4,643,992	\$ 245,786	\$ 4,889,778
Employee Benefits	971,395	74,454	1,045,849
Supplies	18,591	9,982	28,573
Telephone	18,847	96,564	115,411
Postage	7,838	1,818	9,656
Occupancy	96,909	69,496	166,405
Equipment Rental and Maintenance	25,598	80,783	106,381
Conferences	52,841	-	52,841
Travel	324,089	17,996	342,085
Depreciation	37,260	29,988	67,248
Other			
Contract services	151,354	-	151,354
Dues and subscriptions	41,095	3,560	44,655
Insurance	5,986	50,832	56,818
Meetings and meals	8,160	1,083	9,243
Outreach and awareness	75,799	-	75,799
Professional fees	58,696	21,720	80,416
TOTAL	<u>\$ 6,538,450</u>	<u>\$ 704,062</u>	<u>\$ 7,242,512</u>



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**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
Missouri IncuTech Foundation
dba Missouri Enterprise
Rolla, Missouri

We have audited the financial statements of the Missouri IncuTech Foundation *dba* Missouri Enterprise as of and for the year ended June 30, 2010, and have issued our report thereon dated September 20, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Missouri IncuTech Foundation *dba* Missouri Enterprise's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Board of Directors
Missouri IncuTech Foundation
 dba Missouri Enterprise
Rolla, Missouri

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Missouri IncuTech Foundation *dba* Missouri Enterprise's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
September 20, 2010



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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Missouri IncuTech Foundation
dba Missouri Enterprise
Rolla, Missouri

We have audited the compliance of the Missouri IncuTech Foundation *dba* Missouri Enterprise with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. The Missouri IncuTech Foundation *dba* Missouri Enterprise's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Missouri IncuTech Foundation *dba* Missouri Enterprise's management. Our responsibility is to express an opinion on the Missouri IncuTech Foundation *dba* Missouri Enterprise's compliance based on our audit.

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 the Missouri IncuTech Foundation *dba* Missouri Enterprise'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. Our audit does not provide a legal determination on the Missouri IncuTech Foundation *dba* Missouri Enterprise's compliance with those requirements.

Board of Directors
Missouri IncuTech Foundation
 dba Missouri Enterprise
Rolla, Missouri

In our opinion, the Missouri IncuTech Foundation *dba* Missouri Enterprise complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Missouri IncuTech Foundation *dba* Missouri Enterprise is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Missouri IncuTech Foundation *dba* Missouri Enterprise's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
September 20, 2010

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2010

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct			
Manufacturing Extension Partnership	11.611	N/A	<u>\$ 2,109,748</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			2,109,748
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct			
Wood Education and Resource Center	10.681	N/A	20,375
Technical Assistance and Training Grants	10.761	N/A	<u>73,329</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>93,704</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,203,452</u></u>

N/A - Not Applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the Organization's financial statements.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements.
2. No deficiencies relating to the audit of the financial statements 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 were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

Manufacturing Extension Partnership	11.611
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8. The threshold for determining Type A programs was \$300,000.
9. The Missouri IncuTech Foundation *dba* Missouri Enterprise was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award program.

MISSOURI INCUTECH FOUNDATION DBA MISSOURI ENTERPRISE
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

There were no prior audit findings.