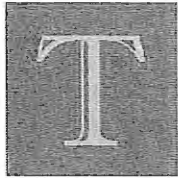


**ECONOMIC INCUBATORS, INC.**  
**FINANCIAL STATEMENTS TOGETHER WITH**  
**REPORT OF INDEPENDENT AUDITOR**  
**SEPTEMBER 30, 2017**

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**TUSCAN**  
 & Company, PA

**Certified Public Accountants & Consultants**

Affiliations

Florida Institute of Certified Public Accountants  
 American Institute of Certified Public Accountants  
 Private Companies Practice Section  
 Tax Division

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
 Economic Incubators, Inc.  
 3510 Kraft Road, Suite 200  
 Naples FL 34105

**Report on the Financial Statements**

We have audited the accompanying financial statements of Economic Incubators, Inc. (a Florida not-for-profit corporation) (dba Naples Accelerator, Florida Culinary Accelerator @ Immokalee and Woodstock's), which comprise the statement of financial position as of September 30, 2017 and the related statements of activities, functional expenses and cash flows for the year 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 misstatements, whether due to fraud or error.

**Auditor's Responsibility**

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 of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

INTEGRITY ..... SERVICE ..... EXPERIENCE

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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Economic Incubators, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

As discussed in Note N of these financial statements, Economic Incubators, Inc. has restated its September 30, 2017 beginning net assets balance to include fixed assets purchased in the prior year. Our opinion is not modified with respect to this matter.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of State Financial Assistance (the "Schedule") for the year ended September 30, 2017 and the notes thereto are presented for purposes of additional analysis as required by the audit requirements of the Florida Single Audit Act (Florida Statute Chapter 215.97) and the State of Florida, Auditor General Rule 10.650 is presented for the 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. Such 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 Schedule and the notes thereto are fairly stated in all material respects in relation to

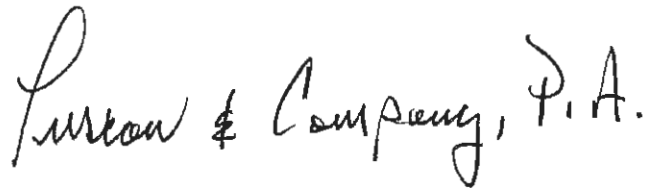
the financial statements taken as a whole.

Other Information

The Exhibit - Management's Response to Independent Auditor's Report to Management, is not a required part of the financial statements but is required by Government Auditing Standards. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2018, on our consideration of Economic Incubators, Inc.'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 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 Economic Incubators, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Tuscán & Company, P.A." The signature is written in dark ink and is positioned above the typed name of the firm.

TUSCAN & COMPANY, P.A.  
Fort Myers, Florida  
March 3, 2018

**ECONOMIC INCUBATORS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2017**

<b>ASSETS</b>	<u>Amount</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents (including restricted cash of \$5,000)	\$ 26,516
Rental receivables	4,197
Other receivables - Collier County	<u>50,382</u>
TOTAL CURRENT ASSETS	81,095
 <b>PROPERTY AND EQUIPMENT, NET</b>	 <u>1,184,093</u>
TOTAL ASSETS	<u>\$ 1,265,188</u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 3,910
Accrued expenses	18,584
Credit card payable	2,090
Sales tax payable	240
Line of credit	<u>-</u>
TOTAL CURRENT LIABILITIES	24,824
 <b>ACCRUED COMPENSATED ABSENCES</b>	 21,152
 <b>UNEARNED REVENUES</b>	 -
<b>COMMITMENTS AND CONTINGENCIES</b>	<u>-</u>
TOTAL LIABILITIES	<u>45,976</u>
 <b>NET ASSETS</b>	
Unrestricted	30,119
Temporarily restricted	1,189,093
Permanently restricted	<u>-</u>
TOTAL NET ASSETS	<u>1,219,212</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,265,188</u>

The accompanying notes are an integral part of this statement.

**ECONOMIC INCUBATORS, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CHANGES IN NET ASSETS</b>			
<b>PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS</b>			
Contract and grant revenue:			
State of Florida	\$ -	\$ 1,934,790	\$ 1,934,790
Collier County (Personnel)	-	281,310	281,310
Collier County (Rent)	-	192,129	192,129
Collier County (Workforce)	-	12,500	12,500
Donations	32,523	5,000	37,523
In-kind donations	118,491	-	118,491
Woodstock's sales	9,284	-	9,284
Client revenue:			
Rental	246,623	-	246,623
Refunds/Allowances	-	-	-
Miscellaneous Income	199	-	199
	<u>407,120</u>	<u>2,425,729</u>	<u>2,832,849</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>407,120</b>	<b>2,425,729</b>	<b>2,832,849</b>
Net assets released from restrictions:			
Satisfaction of program restrictions	1,236,636	(1,236,636)	-
	<u>1,236,636</u>	<u>(1,236,636)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS</b>	<b>1,643,756</b>	<b>1,189,093</b>	<b>2,832,849</b>
<b>EXPENSES</b>			
Program services	1,688,069	-	1,688,069
Supporting services	84,805	-	84,805
	<u>1,772,874</u>	<u>-</u>	<u>1,772,874</u>
<b>TOTAL EXPENSES</b>	<b>1,772,874</b>	<b>-</b>	<b>1,772,874</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(129,118)</b>	<b>1,189,093</b>	<b>1,059,975</b>
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<b>159,237</b>	<b>-</b>	<b>159,237</b>
	<u>159,237</u>	<u>-</u>	<u>159,237</u>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 30,119</b>	<b>\$ 1,189,093</b>	<b>\$ 1,219,212</b>
	<u>\$ 30,119</u>	<u>\$ 1,189,093</u>	<u>\$ 1,219,212</u>

The accompanying notes are an integral part of this statement.

**ECONOMIC INCUBATORS INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2017**

FUNCTIONAL EXPENSES	SUPPORTING SERVICES				Total Expenses
	Program Services	Admin.	Fund Raising	Total Supporting Services	
Advertising	\$ 3,773	\$ 419	\$ -	\$ 419	\$ 4,192
Bad debts	8,440	-	-	-	8,440
Bank charges	87	9	-	9	96
Computer & copier services	10,051	101	-	101	10,152
Depreciation	18,806	2,090	-	2,090	20,896
Dues and subscriptions	807	8	-	8	815
Facilities/Equipment	2,454	273	-	273	2,727
Food and coffee	11,157	1,240	-	1,240	12,397
In-kind professional services	106,642	11,849	-	11,849	118,491
Insurance	1,768	197	-	197	1,965
Interest	3,671	408	-	408	4,079
Labor related costs	373,432	41,492	-	41,492	414,924
Licenses and fees	1,260	140	-	140	1,400
Office	3,251	361	-	361	3,612
Professional fees	31,337	3,482	-	3,482	34,819
Repairs and maintenance	2,001	222	-	222	2,223
Rent expense paid by Collier County	172,916	19,213	-	19,213	192,129
Rent promotions	95,773	-	-	-	95,773
Sales tax	760	8	-	8	768
Special events	-	-	-	-	-
State tasks	536,940	-	-	-	536,940
Subrecipient - State tasks	250,000	-	-	-	250,000
Subrecipient - County	12,500	-	-	-	12,500
Travel	8,314	1,146	-	1,146	9,460
Utilities	5,946	661	-	661	6,607
Unrestricted donations events	13,370	1,486	-	1,486	14,856
Woodstock's	12,613	-	-	-	12,613
<b>TOTAL EXPENSES</b>	<b>\$ 1,688,069</b>	<b>\$ 84,805</b>	<b>\$ -</b>	<b>\$ 84,805</b>	<b>\$ 1,772,874</b>

The accompanying notes are an integral part of this statement.

**ECONOMIC INCUBATORS INC.  
STATEMENT OF CASH FLOWS  
Year Ended September 30, 2017**

	<u>Amount</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from contracts and grants	\$ 2,157,954
Cash received from donations	37,523
Cash received from clients	272,278
Cash payments to suppliers and personnel	(1,629,828)
Interest paid	<u>(4,079)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>833,848</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash payments for purchases of property and equipment	<u>(1,147,850)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from line of credit	314,945
Principal payments on line of credit	<u>(332,945)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(18,000)</u>
Net increase (decrease) in cash and cash equivalents	(332,002)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>358,518</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 26,516</u></u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF INCREASE IN NET ASSETS  
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<u>Amount</u>
Increase in Net Assets	\$ 1,059,975
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used In) Operating Activities	
Depreciation expense	20,896
(Increase) decrease in rental receivables	16,172
(Increase) decrease in other receivables	52,172
Increase (decrease) in accounts payable	(26,376)
Increase (decrease) in accrued compensated absences	(12,641)
Increase (decrease) in accrued expenses	39,736
Increase (decrease) in credit card payable	(523)
Increase (decrease) in sales tax payable	(616)
Increase (decrease) in unearned revenues	<u>(314,947)</u>
TOTAL ADJUSTMENTS	<u>(226,127)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 833,848</u>

**NON-CASH TRANSACTIONS**

Economic Incubator, Inc. received in-kind professional services in the amount of \$118,491 for the years ended September 30, 2017. The related non-cash revenue and expenses have been eliminated from the operating activities in this cash flows statement.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and description of activities**

Economic Incubators, Inc. was incorporated on September 11, 2014 as a private, not-for-profit Florida corporation under the provisions of Chapter 617 of the Florida Statutes. Economic Incubators, Inc. does business as (dba) Naples Accelerator, Florida Culinary Accelerator @ Immokalee and Woodstock's. Economic Incubators, Inc. along with local and State government assists new and emerging businesses in Southwest Florida through a community of entrepreneurs, students, investors and technologists. Located in Collier County (Naples and Immokalee), it is, more specifically, a business accelerator and provides companies with offices, training, networking and conference rooms as well as provides companies access to mentors from industry leaders and investors and sales leads in Collier County.

Economic Incubators, Inc. focuses on companies that have a specified product or service, a customer base and are looking for a more expertise and business services. Economic Incubators, Inc., using Southwest Florida's unique demographics, focuses on soft landing technology, health tourism, and agribusiness industries.

**Mission Statement:**

Economic Incubators, Inc. is dedicated to assist new and emerging businesses and ideas to achieve new heights by providing business mentorships, essential services and a collaborative environment.

Economic Incubators, Inc., specifically, offers its participants office suites, conference rooms, eat-in-kitchen, Wi-Fi and printing, media rooms, guest speakers, workshops, access to funding through investors, and in-house mentorships from the local business community including SBDC (Small Business Development Center), SCORE (the Service Corps of Retired Executives, Naples location), and the Collier County Office of Economic Development.

Administrative assistance, legal assistance, grant writing and funding opportunities, marketing strategy, networking opportunities, international assistance, and partnership resources are also available depending upon specific criteria.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The following is a summary of the significant accounting policies used in the preparation of these financial statements:

**Basis of accounting**

The accounting and reporting policies of Economic Incubators, Inc. conform to accounting principles generally accepted in the United States of America, and are in accordance with the audit guide issued by the American Institute of Certified Public Accountants, "Not-for-Profit Organizations" under the provisions for "Other Not-for-Profit Organizations" and the Accounting Standards issued by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

Economic Incubators, Inc. prepares its financial statements on the accrual basis of accounting. Grant revenues are recorded as support when performance occurs under the terms of the grant agreement. Grant revenue includes all resources received from another entity in accordance with a contract or grant document.

**Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, Economic Incubators, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At September 30, 2017, Economic Incubators, Inc. held no cash equivalents.

**Rental receivables**

Rental receivables are recorded at actual unpaid receivable balances less any estimated amount determined uncollectible. Uncollectible amounts are determined on a specific identification basis based on the particular tenant's circumstances.

**Contract and grant receivables**

Contract and grant receivables consist of billings due from grantor or provider agencies. Economic Incubators, Inc. uses the direct write-off method of accounting for uncollectible accounts associated with grantor or provider agencies. At September 30, 2017, all contract and grant receivables are considered by management to be fully collectible.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Fair value of financial investments**

Economic Incubators, Inc. adheres to FASB ASC 820-10-50-1 through 820-10-50-8 (formerly SFAS No. 157), "Fair Value Measurements". This Standard applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. This Standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. This Standard establishes a fair value hierarchy which consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Economic Incubators, Inc. has the ability to access. At September 30, 2017, Economic Incubators, Inc. held no such assets.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. At September 30, 2017, Economic Incubators, Inc. held no such assets.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. At September 30, 2017, Economic Incubators, Inc. held no such assets.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Fundraising costs/revenue**

Economic Incubators, Inc. had no specific fundraising revenue or expenses for the year ended September 30, 2017.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Property and equipment**

Economic Incubators, Inc.'s policy is to capitalize assets with a cost of \$1,000 or more and a useful life greater than 1 year. Property and equipment is recorded at cost, except for donated items (used in operations of Economic Incubators, Inc.), which are recorded at fair market value as of the date received. Assets are depreciated using straight-line and accelerated methods (which approximate straight-line) over their respective estimated lives, as follows:

<u>Property &amp; Equipment Category</u>	<u>Useful Lives</u>
Building improvements	10 years
Furniture and fixtures	7 years
Equipment	5 years

A portion of the property and equipment used by Economic Incubators, Inc. is owned and recorded by Collier County and provided to Economic Incubators, Inc. at no cost. Therefore, no depreciation expense is recorded on these specific assets for the year ended September 30, 2017.

**Impairment of long-lived assets**

Economic Incubators, Inc. adheres FASB ASC No. 360-10-50-2 (formerly the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." FASB ASC No. 360-10-50-2 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on Economic Incubators, Inc.'s financial statements resulting from FASB ASC No. 360-10-50-2 for the year ended September 30, 2017.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Compensated Absences**

Economic Incubators, Inc.'s employees accumulate annual paid leave time based on the number of years of continuous service up to 240 hours. Any accumulated paid leave time over 240 at September 30 are paid annually if the employee used at least 5 days vacation during the fiscal year. Upon termination of employment, employees can receive payment for accumulated annual paid leave time.

Employees who are discharged from their employment for gross misconduct (i.e. theft, violence, under the influence of alcohol, illegal drug use, harassment, etc.) or resign employment with less than two weeks notice may not receive pay for unused paid leave time. Employees whose employment is terminated for any other reason will receive pay for their accrued and unused paid leave time up to a maximum of 240 hours, provided that they have worked for Economic Incubators, Inc. for twelve consecutive months.

**Revenue recognition**

All grantor-restricted support is reported as an increase in temporarily 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. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

**Contributions**

In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

**Unrestricted Net Assets** - not subject to donor-imposed restrictions.

Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Contributions, continued**

**Temporarily Restricted Net Assets** - subject to donor-imposed stipulations that may be fulfilled by actions of Economic Incubators, Inc. to meet the stipulations or become unrestricted at the date specified by the donor.

**Permanently Restricted Net Assets** - subject to donor-imposed stipulations that they be retained and invested permanently by Economic Incubators, Inc. The donors require Economic Incubators, Inc. to use all or part of the investment return on these net assets for specified or unspecified purposes.

**Advertising costs**

Economic Incubators, Inc.'s policy is to expense advertising costs as such costs are incurred.

**Donated services**

Certain amounts for donated professional services have been reflected as in-kind revenue and expense on the Statement of Activities.

However, no amounts for the other volunteer services have been reflected in the financial statements in as a number of volunteers, including the Board of Directors, have donated significant amounts of their time and expertise to Economic Incubators, Inc.'s programs and supporting services.

**Functional expenses**

The cost of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Expenses that can be identified with a specific program service are charged directly to that program, according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

**Income taxes**

No provision for income tax expense has been made in the accompanying financial statements since Economic Incubators, Inc. is exempt from income taxes under Internal Revenue Code Section 501(c)(3). In addition, Economic Incubators, Inc. is

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES, CONTINUED**

**Income taxes, continued**

not a private Foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. Management believes Economic Incubators, Inc. met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. Economic Incubators, Inc.'s income tax returns for the past three years are open and subject to examination by tax authorities, and may change upon examination. Economic Incubators, Inc. reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

**Accounting for uncertainty in income tax items**

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and Economic Incubators, Inc. has adopted this guidance. Economic Incubators, Inc. has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

**Subsequent events**

Subsequent events have been evaluated through March 3, 2018, which is the date the financial statements were available to be issued.

**Management 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 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.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Current vulnerability due to certain concentrations**

Economic Incubators, Inc.'s operations are limited to Collier County. In addition, Economic Incubators, Inc. operates in a heavily regulated environment. The operations of Economic Incubators, Inc. are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of State legislature and Collier County Board of County Commissioners or an administrative change mandated by other federal, state and local regulatory agencies. Mandated changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**NOTE B - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at September 30, 2017:

	<u>Amount</u>
Depository accounts	\$ 26,516
Cash on hand	-
	<u>\$ 26,516</u>

Economic Incubators, Inc. had \$5,000 in restricted cash as of September 30, 2017.

**Concentration of credit risk**

Economic Incubators, Inc. maintains its cash and cash equivalents in a financial institution located in Southwest Florida. Economic Incubators Inc.'s cash and cash equivalents are federally insured up to \$250,000 per financial institution. At September 30, 2017, Economic Incubators, Inc.'s depository accounts are categorized as follows:

	<u>Bank Balance</u>
Amount covered by Federal Depository Insurance	\$ 28,975
Amount uninsured	-
	<u>\$ 28,975</u>

**NOTE C - RENTAL RECEIVABLES**

Rental receivables consist of the following at September 30, 2017:

	<u>Amount</u>
Private companies	\$ 4,197
Less: Allowance	-
	<u>\$ 4,197</u>

Management believes the rental receivables to be fully collectible.

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30, 2017:

	<u>Amount</u>
Construction in progress	\$ 993,596
Equipment	23,021
Furniture and fixtures	55,415
Leasehold improvements	<u>133,223</u>
	1,205,255
Less: accumulated depreciation	<u>(21,162)</u>
Property and Equipment, net	<u>\$ 1,184,093</u>

Depreciation expense for the year ended September 30, 2017 was \$20,896.

The State of Florida has rights and/or security interests over the Economic Incubators, Inc. property and equipment acquired with State grant funds, as well as the proceeds from disposition of such assets. As such, the property and equipment in the amount of \$1,184,093 net of accumulated depreciation of \$21,162 is included in the rights and security interest of the State at September 30, 2017. According to the original grant agreement, the property and equipment must remain in operation for five (5) years or Economic Incubators, Inc. may be required to repay some portion of grant funds used to purchase the property and equipment.

Additionally, certain property and equipment purchased by Economic Incubators, Inc. in prior years was reimbursed by Collier County. This property and equipment is utilized by Economic Incubators, Inc. but is considered the property of Collier County and is not included in the financial statements of Economic Incubators, Inc.. Accordingly, no depreciation expense is recognized by Economic Incubators, Inc. on these assets.

**NOTE E - FAIR VALUE MEASUREMENTS**

Economic Incubators, Inc. adheres to the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10-50-1 through 820-10-50-8 (formerly Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements"). FASB ASC 820-10 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level (1) inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level (3) inputs have the lowest priority. Economic Incubators, Inc. uses appropriate valuation techniques based on the available inputs to measure fair value of its investments. When available, Economic Incubators, Inc. measures fair value using Level (1) inputs because they generally provide the most reliable evidence of fair value. No Level (1), (2) or (3) inputs were used by Economic Incubators, Inc.

Other assets and liabilities such as cash, receivables, other assets, payables and accrued liabilities are recorded at cost which approximate fair value due to the short term nature of the assets and liabilities.

**NOTE F - LINE OF CREDIT (LOC)**

Economic Incubators, Inc. has a \$50,000 revolving line of credit (LOC) with a financial institution, with interest payable monthly at 2.00% over the lender's prime rate. The annually renewable LOC is due on November 4, 2018. At September 30, 2017, the interest rate was 6.25% and payable monthly. The LOC is collateralized by all Economic Incubators, Inc.'s property, equipment, and tangible and intangible assets including receivables. The outstanding balance on the LOC at September 30, 2017 was \$0 and is due in full on November 4, 2018.

On March 24, 2017, Economic Incubators, Inc. received a \$200,000 unsecured line of credit (LOC) with a financial institution, with interest payable monthly at 6.00% per annum and a maturity date of July 24, 2017. The LOC was established to provide working capital funding for the State grant projects. The LOC was paid in full on July 17, 2017 and closed.

Interest expense incurred on these lines of credit for the year ending September 30, 2017 was \$4,079.

**NOTE G - NET ASSETS (DEFICIT)**

Net assets (deficit) consist of the following at September 30, 2017:

	<u>Amount</u>
Unrestricted - undesignated	\$ 30,119
Temporarily restricted for	
Property & equipment	1,184,093
Restricted donations	<u>5,000</u>
	<u>1,189,093</u>
Total Net Assets	<u>\$ 1,219,212</u>

At September 30, 2017, Economic Incubators, Inc. held no permanently restricted net assets.

**NOTE H - FUNDRAISING COSTS**

Economic Incubators, Inc. incurred no specific fundraising costs and generated no specific funds from fundraising during the year ended September 30, 2017. Economic Incubators, Inc. did, however, generate donations of \$37,523.

**NOTE I - RENT PROMOTIONS**

In order to promote the sale of more memberships, Economic Incubators, Inc. offers up to a 50% discount off of selected initial memberships.

**NOTE J - ECONOMIC DEPENDENCE**

Economic Incubators, Inc.'s operations are substantially dependent on the receipt of support and revenue from grantor and contract agencies. Loss of these funds and/or large decreases in this type of funding would have a material effect on the financial position of Economic Incubators, Inc. and a negative impact on overall operations. For the year ended September 30, 2017, substantially 85% of total support and revenue is attributable to funds received from contractor and grantor agencies.

**NOTE J - ECONOMIC DEPENDENCE, CONTINUED**

Economic Incubators, Inc. has entered into multiple agreements with Collier County (the "County"). These agreements provide, among other things, that the County will pay directly Economic Incubators, Inc.'s facility rent and insurance. Therefore, offsetting amounts for the grant and rent expense of \$192,129 are included in these financial statements. The contracts also provide for annual reimbursement of certain allowable operating costs. These costs and the related reimbursement are reflected in these financial statements. Additionally, certain fixed assets used by Economic Incubators, Inc. are owned and recorded by the County. These assets are provided at no cost to Economic Incubators, Inc. No related costs are recorded by Economic Incubators, Inc. as no reasonable objective method to do so is available to the Economic Incubators, Inc.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

Economic Incubators, Inc. is currently receiving and previously has received grants, contracts, and other third party funds which are subject to special compliance audits by the grantor and other third party agencies that provide these reimbursements. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of Economic Incubators, Inc. Accordingly, such liabilities are not reflected within the financial statements of Economic Incubators, Inc., as management does not believe any contingent liabilities that may exist to be material.

**NOTE L - DEFINED CONTRIBUTION PLAN**

As of October 1, 2016, Economic Incubators, Inc. through its employee leasing agent, implemented a defined contribution plan for its leased employees and contributes 5% of eligible compensation to a 401(k) pension plan on behalf of all eligible leased employees whether or not the employee contributes. Leased employees who complete a three (3) month introductory period and attain age 21 are eligible. Contributions to the plan are based on an elected percentage of payroll deductions by the leased employee not to exceed \$18,000 per calendar year. Certain catch-up provisions apply per Federal Law. The Plan matches leased employee contributions of 100% up to 5% of leased employee contributions using the enhanced safe harbor election. The Plan also allows for employer discretionary profit

**NOTE L - DEFINED CONTRIBUTION PLAN, CONTINUED**

sharing contributions. Leased employees are immediately 100% vested in employer matching contributions. Leased employees vest in employer discretionary profit sharing contributions at a rate of 20% per year upon 2 years completed service and an additional 20% each year completed service thereafter until 100% vested after 6 years of completed service. Normal retirement age for the plan is 65. In-service withdrawals as permitted after attainment of age 59 1/2. Disbursements are provided as a lump sum if vested balances are under \$5,000 and a variety of payment options if over \$5,000. For the year ended September 30, 2017, the employer 401(k) contribution expense was \$14,770.

**NOTE M - LEASE COMMITMENT**

Economic Incubators, Inc. leases retail space for Woodstock's Market for a forty-eight (48) month term beginning October 27, 2016 and ending September 30, 2020 at a monthly rate of \$392 and increasing 3% each year. Monthly rent payments commenced January 1, 2018. Retail rent expense for the year ended September 30, 2017 was \$4,710.

Total future minimum lease payments required under the office lease are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2018	\$ 4,851
2019	4,997
2020	5,147
	<u>\$ 14,995</u>

**NOTE N - PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2017, it was determined that a correcting entry to record net property and equipment received from the State of Florida in the prior year in the amount of \$57,139 needed to be recorded by Economic Incubators, Inc. as of September 30, 2016. It was initially believed by the Company that the State was to retain ownership of the respective property and equipment. However, during the year ended September 30, 2017, the Company determined it was to retain ownership of such assets. Therefore, a prior period adjustment was required and is described as follows:

**NOTE N - PRIOR PERIOD ADJUSTMENT, CONTINUED**

The effect of the prior period entry was to restate the September 30, 2016 ending unrestricted net assets balance by increasing net assets by \$57,139 as follows:

	<u>Amount</u>
Property and equipment	\$ 57,405
Less: Accumulated depreciation	<u>(266)</u>
	<u>\$ 57,139</u>
	<u>Amount</u>
Net Assets, Ending, September 30, 2016, As originally stated	\$ 102,098
Prior Period Adjustment	<u>57,139</u>
Net Assets, Ending, September 30, 2016, As Restated	<u>\$ 159,237</u>

**NOTE O - SUBSEQUENT EVENT**

Subsequent to the year ended September 30, 2017, Economic Incubators, Inc. signed a lease with the Collier County Airport Authority on December 12, 2017 to lease warehouse/manufacturing space totaling 5,274 square feet and an exterior storage cage totaling 3,600 square feet located at the Immokalee Regional Airport.

The premises will be used for support and launching of culinary and food preparation and assembly of culinary related businesses, distillation of alcohol, food and food safety laboratory, administrative activities, and other business and incubator and accelerator related operations.

The lease is for a sixty (60) month term beginning October 1, 2017 and ending September 30, 2022 at a monthly rate of \$2,680. Economic Incubators, Inc. is responsible for all related utilities and maintenance. The lease rental rate may be increased by the lessor annually, effective October 1 of each year, in accordance with the lessor's lease rental rate adjustment program.

**NOTE P - RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2017, the Organization awarded a contract of approximately \$425 to a consulting company that is owned by one of the Organization's leased employees. The contract was to complete the design of invitations which was paid for by donations due to the current marketing/graphics person not having time to complete the job. There is no amount payable at September 30, 2017.

During the year ended September 30, 2017, the Organization occupies office space through a sublease in a building owned by one of the Board members. Rent for this office space is paid for directly by Collier County, Florida. Rent expense was \$192,129 for the year ended September 30, 2017.

**SUPPLEMENTARY INFORMATION**

**ECONOMIC INCUBATORS, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2017**

<u>State Agency/Project Title</u>	<u>State CSFA Number</u>	<u>Grantor's Contract Number</u>
<b><u>Florida Department of Economic Opportunity</u></b>		
MAJOR (Type A)		
Local Economic Development Initiatives	40.012	SL025
NON-MAJOR (Type B)		
None		

TOTAL STATE FINANCIAL ASSISTANCE

<u>Project/ Award Amount</u>	<u>Receipts/ Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>	<u>Pass Through to Subrecipients</u>
\$ 2,000,000	\$ 1,934,790	\$ 1,934,790	\$ 250,000
2,000,000	1,934,790	1,934,790	250,000
-	-	-	-
-	-	-	-
<u>\$ 2,000,000</u>	<u>\$ 1,934,790</u>	<u>\$ 1,934,790</u>	<u>\$ 250,000</u>

**ECONOMIC INCUBATORS, INC.**  
**NOTES TO THE SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2017**

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**NOTE A - BASIS OF PRESENTATION**

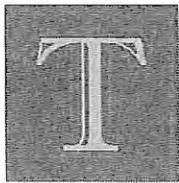
The Schedule of Expenditures of State Financial Assistance has been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and is in accordance with the provisions of the Florida Single Audit Act (FS Chapter 215.97) and the State of Florida, Rules of the Auditor General 10.650.

Expenditures reported on the Schedule of Expenditures of State Financial Assistance include cash disbursements, whether capitalized or expensed, during the fiscal year as well as grant related amounts recorded as payable at year end. Revenues reported on the Schedule of Expenditures of State Financial Assistance include cash receipts, whether recognized or deferred, as well as grant receivables recorded at year end.

**NOTE B - INDIRECT COSTS**

Economic Incubators, Inc. did not routinely allocate costs to State Financial Assistance programs. Costs charged to such programs were direct costs unless specifically incurred for the program and allowed and indicated as such.

**ADDITIONAL REPORTS OF  
INDEPENDENT AUDITOR**



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 & Company, PA

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 Tax Division

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
 CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
 AND OTHER MATTERS BASED ON AN AUDIT OF  
 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
 WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
 Economic Incubators, Inc.  
 3510 Kraft Road, Suite 200  
 Naples FL 34105

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained the Government Auditing Standards, issued by the Comptroller General of the United States of America the financial statements of Economic incubators, Inc. which comprise the statement of financial position as of September 30, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements and have issued our report dated March 3, 2018.

Internal Control Over Financial Reporting

Management of Economic Incubators, Inc. is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit of the financial statements, we considered Economic Incubators, 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 Economic Incubators, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Incubators, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the basic 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

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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, as defined previously. However, material weaknesses may exist that have not been identified. that we consider to be material weaknesses.

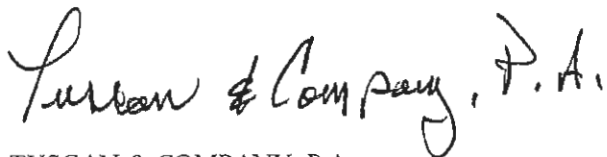
We, however, noted certain other matters that we have reported to management of Economic Incubators, Inc. in our Independent Auditor's Report to Management dated March 3, 2018.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Economic Incubators, 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 except as noted in our Independent Auditor's Report to Management.

Purpose of This Report

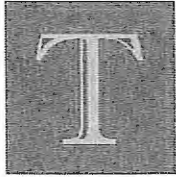
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Economic Incubators, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Economic Incubators, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 3, 2018



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 American Institute of Certified Public Accountants  
 Private Companies Practice Section  
 Tax Division

**Independent Auditor's Report on Compliance with Requirements That  
 Could Have a Direct and Material Effect on Each Major State Project and on  
 Internal Control Over Compliance in Accordance with  
 the Florida Single Audit Act (Florida Statute 215.97)**

Board of Directors  
 Economic Incubators, Inc.  
 3510 Kraft Road, Suite 200  
 Naples FL 34105

Report on Compliance For Each Major State Project

We have audited Economic Incubators, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services "State Projects Compliance Supplement" that could have a direct and material effect on each of Economic Incubators, Inc.'s major state projects for the year ended September 30, 2017. Economic Incubators, Inc.'s major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Economic Incubators, Inc.'s major State projects based on our audit of the types of compliance requirements referred to above. 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; the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650. Those Standards, the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650 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 State project occurred. An audit includes examining, on a test basis, evidence about Economic Incubators, Inc.'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. However, our audit does not provide a legal determination on Economic Incubators, Inc.'s compliance with those requirements.

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Opinion on Each Major State Project

In our opinion, Economic Incubators, Inc., complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2017.

Report on Internal Control Over Compliance

The management of Economic Incubators, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Economic Incubators, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major state project to determine the auditing procedures that are appropriate on the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with the Florida Single Audit Act (Florida Statute 215.97), and the State of Florida, Rules of the Auditor General 10.650 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Economic Incubators, Inc.'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 State project on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. 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 State project 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We, however, noted certain other matters that we have reported to management of Economic Incubators, Inc. in our Independent Auditor's Report to Management dated March 3, 2018.

Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Florida Single Audit Act (Florida Statute 215.97) and the State of Florida, Rules of the Auditor General 10.650. Accordingly, this report is not suitable for any other purpose.

*Tuscan & Company, P.A.*

TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 3, 2018

**ECONOMIC INCUBATORS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED**  
**COSTS - STATE FINANCIAL ASSISTANCE**  
**Year ended September 30, 2017**

***Section I – Summary of Auditor’s Results***

**Financial Statements**

Type of auditor's report issued	Unmodified		
Internal control over financial reporting:			
Control deficiency(ies) identified?	_____ Yes	<u>  X  </u>	No
Significant deficiency(ies) identified?	_____ Yes	<u>  X  </u>	No
Material weakness(es) identified?	_____ Yes	<u>  X  </u>	None reported
Noncompliance material to financial statements noted?	_____ Yes	<u>  X  </u>	No

**State Financial Assistance**

Internal control over major projects:			
Control deficiency(ies) identified?	_____ Yes	<u>  X  </u>	No
Significant deficiency(ies) identified?	_____ Yes	<u>  X  </u>	No
Material weakness(es) identified?	_____ Yes	<u>  X  </u>	None Reported
Type of anditors report issued on compliance for major projects	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General 10.654(1)(h)(4)?	_____ Yes	<u>  X  </u>	No

Identification of major projects:

CSFA	
<u>Number(s)</u>	<u>Name of State Project</u>
	State of Florida, Department of Economic Opportunity
	Local Economic Development Initiatives
40.012	SL025

Dollar threshold used to distinguish between

Type A and Type B projects: Threshold used was \$300,000

Auditee qualified as low-risk auditee?	_____ Yes	<u>  X  </u>	No
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Listing of Subrecipients and amounts passed-through:

Florida Gulf Coast University	\$250,000
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**ECONOMIC INCUBATORS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED**  
**COSTS - STATE FINANCIAL ASSISTANCE, CONTINUED**  
**Year ended September 30, 2017**

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***Section II- Financial Statement Findings***

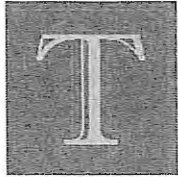
There were no deficiencies, material weaknesses, or instances of noncompliance related to the financial statements.

***Section III- State Financial Assistance Findings and Questioned Costs***

There were no audit findings related to State Awards required to be reported by Auditor General Rule 10.654(1)(h)4.

***Section IV- Status of State Prior Year Findings***

There were no prior year findings.



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Tax Division

**INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT**

Board of Directors  
Economic Incubators, Inc.  
3510 Kraft Road, Suite 200  
Naples, Florida 34105

In planning and performing our audit of the financial statements of Economic Incubators, Inc. (the "Company") as of and for the year ended September 30, 2017, we considered Economic Incubators, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of Economic Incubators, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Incubators, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

Although our audit was not designed to provide assurance on internal control, we noted certain matters involving internal control and its operation and are submitting, for your review and consideration, the following comments and recommendations designed to help Economic Incubators, Inc. make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to Economic Incubators, Inc.

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12621 World Plaza Lane, Building 55 • Fort Myers, FL 33907 • Phone: (239) 333-2090 • Fax: (239) 333-2097

**PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:**

Prior year comments that have been resolved have been deleted. Those remaining prior year comments each have a current year addendum which reflects the current status of the comment.

2016-2 Reconciliation of Fixed Assets Should Be Performed Monthly

During the audit, we noted no reconciliation had been performed between the items recorded in fixed assets on the Company's books vs. the recording of fixed assets on the County's books.

The lack of reconciliation of fixed assets caused the audit process to be extended and more time consuming and does not provide the required level of control for the Company's books and records.

We recommend that the general ledger fixed asset and reimbursement accounts be reconciled to the County's general ledger on a monthly basis.

Current year addendum

We continue to recommend that a reconciliation be performed between the items recorded on the Company's books vs. the recording of fixed assets on the County's books.

2016-3 Monthly Reconciliation and Closing Process Should be Implemented

During the audit, a significant amount of journal entries were proposed for both the fiscal year 2015 and fiscal year 2016 balances on the financial statements. The entries primarily resulted from financial areas that were not properly reconciled at year end.

The lack of a month end reconciliation and closing process results in misstatement of monthly and annual internally prepared financial reports that are presented to the Board, management and the auditor. In addition, the numerous amount of journal entries proposed by the auditor, at year end, causes the audit process to be more time consuming.

We recommend that the financial reporting of the Company be prepared in accordance with generally accepted account principles and that a monthly closing and reconciliation process be implemented to ensure all accounts are reconciled.

Current year addendum

During year ended September 30, 2017, the Company obtained the assistance of a volunteer CPA to analyze and adjust the financial statements in preparation of the

monthly board meetings. In addition, this position serves as a liaison to the contracted accounting firm that processes the daily transactions. This resulted in a decrease in audit adjustments, however, certain accrual adjustments, reclassifications and eliminations were still required.

In addition, during year ended September 30, 2017, the fixed assets purchased through the State grant were expensed as part of the grant "Task" to which they related and to allow for ease of preparation of the required reimbursement reports. The Company separately maintained an inventory list of all fixed assets, however a journal entry was required to capitalize these items at year end.

We recommend that the financial statements be reviewed prior to the audit, to identify any necessary accruals, reclassifications or eliminations and such items be appropriately adjusted. In addition, we recommend that the Company identify the capital expenditures and adjust on a monthly basis.

2016-6 The Board Should Approve Indirect Cost Allocation Policy

We recommend that management determine and the Board approve reasonable, prudent and consistent allocation percentages for all indirect costs to be allocated to program, administrative and fundraising categories. The allocation methods and percentages used should be reviewed regularly to ensure that they remain appropriate. Such policy should be routinely reviewed (at least annually), amended as necessary and re-approved. Such approval should be recorded in the Board's official minutes.

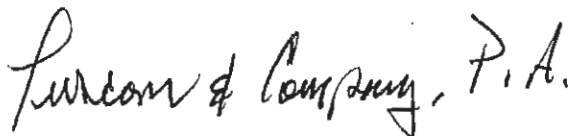
Current year addendum

We continue to recommend that the Board approve an indirect cost allocation policy.

**CURRENT YEAR COMMENTS:**

No financially significant comments noted.

This report is intended solely for the information and use of executive committee, management, and Board of Directors. This report is not intended to be, and should not be, used by anyone other than these specified parties.



TUSCAN & COMPANY, P.A.

Fort Myers, Florida

March 3, 2018

**EXHIBIT**



## Economic Incubators, Inc. Naples Accelerator

March 22, 2018

To: Economic Incubators, Inc. Board of Directors  
From: Marshall Goodman, President & CEO *uwl*  
Re: Management Response letter

The management team of Economic Incubators, Inc. is in receipt of the draft audit for the fiscal year 2017, prepared by Tuscan & Company CPA, and is submitting the following response to comments received in the Independent Auditors Report to Management. Economic Incubators, Inc. is committed to address, implement and correct these comments noted.

2016-2      Reconciliation of Fixed Assets Should Be Performed Monthly

**Response:** When items are purchased by EII with county funds and are in excess of the capital threshold an inventory list will be produced and sent to the county. EII will provide the list of the records in a memo format. However, going forward fixed assets and associated depreciation will be recorded in the accounts monthly. In addition, the fixed assets subsidiary ledger will be reconciled to the general ledger account monthly.

2016-3      Monthly Reconciliation and Closing Process Should be Implemented

**Response:** Monthly closing and reconciliation has been implemented utilizing QuickBooks accounting software, and is performed in accordance with generally accepted accounting principles. Prior to Financials being released by bookkeeping, the Chief Operating Officer reviews as part of the end of month closing. In addition, this is augmented by the addition of Fred Krieger as the financial and accounting volunteer. Financial statements are now being reviewed monthly to identify any accruals, reclassification or eliminations. In addition, as noted above, capital expenditures and associated depreciation will be adjusted on a monthly basis.

2016-6      The Board Should Approve Indirect Cost Allocation Policy

**Response:** When the prudent and consistent allocations are developed, they will be presented to the Board of Directors for approval.