



Knox County  
2010-2011 Defined Services/Contractual Funding Application

**REQUEST INTRODUCTION**

NAME OF AGENCY/APPLICANT: Innovation Valley Inc.  
EIN (FEDERAL TAX I.D.) NUMBER: 26-2087582  
ADDRESS: 17 Market Square. Suite 201 Knoxville, TN 37902  
AGENCY CHAIRMAN/BOARD PRESIDENT: Thom Mason, Innovation Valley Chair  
EXECUTIVE DIRECTOR: Rhonda Rice  
PROJECT TITLE: Economic Development  
PROJECT CONTACT: Doug Lawyer  
PHONE: 865-637-4550  
E-MAIL: dlawyer@knoxvillechamber.com  
FAX: 523-2071  
FUNDING REQUEST: \$350,000.00 (note this is 12.5 % reduction from 08/09 = 400,000)  
AGENCY PROGRAM EFFICIENCY PERCENTAGE: 84.6%  
(Section 3, II - Budget Item 5 divided by Budget Item 4)

The following must be included in your completed application request (check when complete):

- Section 1: Scope of Services
- Section 2: Performance Measures Chart
- Section 3: Budget
- Section 4: Attachments/Certification
- Section 5: File Audit with County Clerk

I hereby certify that, to the best of my knowledge, the information submitted with this application is accurate.

*Thomas Mason*

Agency Chairman/Board President Signature: \_\_\_\_\_

Executive Director Signature: *Rhonda Rice* \_\_\_\_\_

Project Contact Signature: *Doug Lawyer* \_\_\_\_\_

SECTION 2

KNOX COUNTY COMMUNITY GRANT REQUEST - DEFINITION/PERFORMANCE MEASURES FY 2011

AGENCY NAME: Innovation Valley Inc.	FED TAX I.D. 26-2087582	REQUEST CATEGORY: Knoxville, TN 37902	Arts/ Cultural	Health Services	Youth Services	REQUEST AMOUNT \$350,000
AGENCY MAILING ADDRESS: 17 Market Square, Suite 201 Innovation Valley Inc.	CITY, STATE, ZIP Knoxville, TN 37902	Project Contact Name: Doug Lawyer 637-4550 dlawyer@knoxvilletechamber.com	Senior/Veteran Services		Social Services	
PROGRAM OR PROJECT NAME			Total Project/Program Budget			\$1,706,935
			Grant Request as a % of Total Project/Program Budget			19.60%
			Grant Request as a % of Total Agency Revenue (on last financial report)			19.60%

PROGRAM OR PROJECT MISSION STATEMENT: Mission statement = Drive regional economic prosperity

#	RESULT/OUTCOME	OUTCOME INDICATOR	TYPE	GOAL	POPULATION SERVED		% OF GRANT REQUEST REQUIRED	RATIO OF \$ TO POPULATION	COMMENTS
					Number	Description			
1	Create new direct and indirect jobs within the innovation valley region	Jobs aer reported by US Bureau of Labor Statistics	5	6000	415,363	entire population of Knox County	100%	24.07	
2	Increased awareness of Innovation Valley as a premiere buiness location	number of busienss recruitment missions, trade shows, and conferences attended	5	20	415,363	entire population of Knox County	100%	24.07	
3	maintain strong interest of prospective businesses	Total number of active prospects worked by Innovation Valley staff	5	25	415,363	entire population of Knox County	100%	24.07	
4	Form new and strengthen existing relations with site selection consultants	Percent of active projects generated by site selection consultants	1	25%	415,363	entire population of Knox County	100%	24.07	
5	Continuation of existing industry programs and services	Number of existing industry visits conducted	5	150	415,363	entire population of Knox County	100%	24.07	
6	Supporting untouched existing industries	Number of first time existing industry visits	1	25%	415,363	entire population of Knox County	100%	24.07	
7	Raise awareness of regional technology assets	Number of Technology Mining and Matching visits conducted	5	150	415,363	entire population of Knox County	100%	24.07	
8	Elevate regional hightschool graduation rates	Regional High School graduation rate	1	90%	415,363	entire population of Knox County	100%	24.07	
9	Support entrepreneurial development efforts via Mentor/Protégé program	predefined objectives are achieved	1	50%	415,363	entire population of Knox County	100%	24.07	
#	Teachers are exposed to the business world via teachers in the workplace programs.	Number of teachers who participate in teachers in the workplace programs.	5	100	415,363	entire population of Knox County	100%	24.07	

Agency Chairman/Board President Signature: James Mason Date: \_\_\_\_\_

Project Contact Signature: [Signature] Date: 3/26/10

- Indicator Type
- 1 - Percent
- 2 - Average
- 3 - Median
- 4 - Ratio
- 5 - Total Count



## SECTION 1: SCOPE OF SERVICES

The Scope of Services is a comprehensive narrative that describes the program/project being proposed for funding. It should include a brief history of the agency/organization, address why the program/project should be funded by Knox County, and provide the key activities of the program/project and who benefits from the program/project and in what capacity. Please discuss any changes from last year's scope of service if applicable.

### ATTACH ADDITIONAL PAGES IF NECESSARY

Innovation Valley Inc, was launched July 1, 2008, and is a collaborative regional economic development plan of work which provides a targeted, measurable, plan for the continuing business growth and investment in Knox County. The Innovation Valley plan focus on key strategies and tactics in the following 6 key program areas:

- Education and Workforce development
- Entrepreneurship and Technology
- Global Marketing
- Business Retention and Expansion
- Public Policy
- Resources for Living

**Education and Workforce Development** – The crux of this program is to ensure that our region maintains and continuously improves its workforce skills through various programs which include such things as partnering with Knox County Schools, developing an education management information system, supporting STEM (Science, Technology, Math and Engineering) curriculum and teacher development, and placing educators in the workplace.

**Entrepreneurship and Technology** – Through the completion and implementation of Battelle target industry technology study; Innovation Valley has a strategic technology business recruitment plan. Areas of focus include: Bioenergy, Solar, instruments and sensors, composites and advanced materials. Existing companies are also plugged into the technology resources of our region via our mining and matching program.

**Global Marketing** – This is getting the word out via various sources such as: print and web advertising, internal communications, editorial placement, targeted trade show, site selection consultant, and geographic recruitment missions, that the innovation valley is a great place to do business.

**Business Retention and expansion** – existing industries is where 75% of new job growth originates. Through targeted face to face existing industry meetings, a comprehensive menu of services is offered to existing companies outlining programs to: help companies access capital and incentives, strengthen their businesses, use utilities most efficiently, access job training programs and find the right employees.

**Resources for living** – efforts here focus on small and minority business development through our Propel and Mentor/Protégé programs, as well as working to improve air quality in our region.



Knox County  
2010-2011 Defined Services/Contractual Funding Application

**SECTION 3: BUDGET**

**I. Program/Project Budget**

	A	B	C	D
	Current Fiscal Year (Planned)	Next Fiscal Year (Proposed)	Difference (\$ Amount)	Difference (Percentage)
<b>1. Public Support &amp; Revenue</b>				
a. Contributions	1,706,435			
b. Special Events				
c. Knox County Grant(s)	350,000	350,000	0	0
d. Other Government Grant(s) City of Knoxville	400,000			
e. Program Fees				
f. Sales				
g. Other (Roane, Blount, Oak Ridge)	\$125,000			
h. Other				
<b>Total Program Revenue</b>	<b>2,581,435</b>			
<b>2. Expenses</b>				
a. Salaries & Benefits	136,400			
b. Professional Fees				
c. Supplies				
d. Utilities				
e. Insurance				
f. Travel				
g. Other (program expenses)	1,023,365			
h. Other (printing, pubs, ads)	306,338			
i. Other (all other)	371,832			
<b>Total Program Expenses</b>	<b>1,837,935</b>			

**II. Total Agency Budget** \*Information must be collected from most recent IRS 990 or Financial Report.

<b>3. Total Agency Revenue</b>	2,223,956
<b>4. Total Agency Expenses</b>	1,882,209
<b>5. Total Agency Program Service Expenses</b>	1,882,209

**III. Salary Information**

List complete salary information of the Chief Executive Officer and the next highest paid employee as Per Knox County Ordinance (Ord. No. O-92-5-102, § 1, 7-27-9).

Position Title	Amount
Director of Technology	\$125,000

FILED

RECEIVED  
STATE OF TENNESSEE

2008 FEB -7 AM 11:50

CHARTER OF  
INNOVATION VALLEY, INC.

The undersigned persons, lawful citizens of the United States of America having the capacity to contract and acting as the incorporators of a nonprofit corporation under the Tennessee Nonprofit Corporation Act, adopt the following charter provisions:

1. NAME. The name of the corporation is Innovation Valley, Inc.
2. DURATION. The duration of the corporation is perpetual.
3. REGISTERED OFFICE AND AGENT. The street address and zip code of the corporation's initial registered office is 17 Market Square #201, Knoxville, TN 37902-1405, which office is located in Knox County, Tennessee. The name of the initial registered agent of the corporation at that office is Michael Edwards.
4. INCORPORATOR. The name, address and zip code of the incorporators are Kevin T. Clayton, P. O. Box 9790, Maryville, TN 37802, James A. Haslam III, 5508 Lonas Drive, Knoxville, TN 37909 and Thomas E. Mason, P. O. Box 2008, Oak Ridge, TN 37831.
5. PRINCIPAL OFFICE. The street address and zip code of the initial principal office of the corporation is 17 Market Square #201, Knoxville, TN 37902-1405.
6. TYPE. The corporation is a public benefit corporation. The corporation is not for profit.
7. MEMBERS. The corporation will not have members.
8. PURPOSE. The corporation is organized exclusively for charitable educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under sections 501(c)(3) and 501(c)(6) of the Internal Revenue Code, or corresponding section of any future federal tax code. The purposes will include without limitation support of public education, workforce development and job training and support of scientific and technological advancements in the central East Tennessee area, including without limitation Anderson, Blount, Knox, Loudon, Roane and Monroe Counties, primarily by providing funds and support to organizations such as the Blount County Chamber of Commerce, the Knoxville Area Chamber Partnership, the Oak Ridge Economic Partnership, the Roane Alliance, Tellico Reservoir Development Agency and Loudon County Economic Development Agency.
9. DIRECTORS. The incorporators shall determine the number of initial directors and shall appoint the initial directors of the corporation. Thereafter, the number of directors shall be determined by the Board of Directors, and directors shall be elected by the Board of Directors. Any one or more of the directors of the corporation may be

0207-0042

SHERRY WITT  
REGISTER OF DEE  
KNOX COUNTY

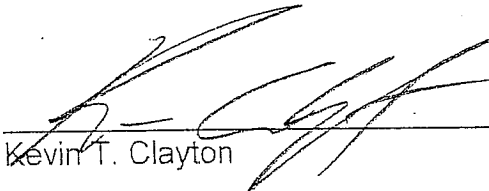
section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or (b) by an organization, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or corresponding section of any future federal tax code.

13. DISTRIBUTION OF ASSETS UPON DISSOLUTION. Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) or section 501(c)(6) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not disposed of shall be disposed of by the Chancery Court of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

14. AMENDMENT. The Board of Directors shall have the power and authority to amend the charter of the corporation at any time and from time to time, including without limitation the power to adopt and approve an amended and restated charter.

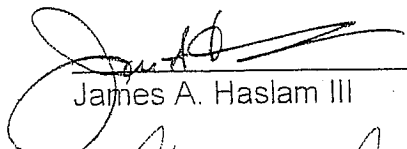
15. EFFECTIVE TIME AND DATE. The effective time and date of this Charter shall be the time of filing on the date the Charter is filed by the Secretary of State of Tennessee.

This 6th day of February, 2008.



---

Kevin T. Clayton



---

James A. Haslam III



---

Thomas E. Mason

0207094

INTERNAL REVENUE SERVICE  
P. O. BOX 2508  
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: OCT 30 2008

INNOVATION VALLEY INC  
17 MARKET SQUARE STE 201  
KNOXVILLE, TN 37902-1405

Employer Identification Number:  
26-2087582  
DLN:  
408301005  
Contact Person: MARK BRECKNER ID# 95217  
Contact Telephone Number:  
(877) 829-5500  
Accounting Period Ending:  
June 30  
Form 990 Required:  
Yes  
Effective Date of Exemption:  
February 7, 2008  
Contribution Deductibility:  
No

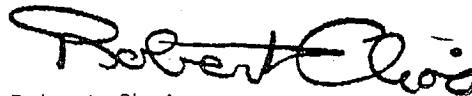
Dear Applicant:

We are pleased to inform you that upon review of your application for tax-exempt status we have determined that you are exempt from Federal income tax under section 501(c)(06) of the Internal Revenue Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Please see enclosed Information for Organizations Exempt Under Sections Other Than 501(c)(3) for some helpful information about your responsibilities as an exempt organization.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,



Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements

Enclosure: Information for Organizations Exempt Under Sections Other Than 501(c)(3)

Letter 948 (DO/CG)

**INNOVATION VALLEY INC**  
**FINANCIAL STATEMENTS**  
**WITH**  
**SUPPLEMENTAL FINANCIAL**  
**INFORMATION**

**PERIOD FROM INCEPTION,**  
**FEBRUARY 6, 2008 TO JUNE 30, 2009**

**INNOVATION VALLEY INC**

**TABLE OF CONTENTS**

**PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

	PAGES
Independent Auditor's Report.....	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position .....	2
Statement of Activities .....	3
Statement of Functional Expenses .....	4-5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7-9
<b>SUPPLIMENTAL INFORMATION</b>	
Statement of Expenses Budget vs Actual .....	10

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage  
Marie I. Niekerk  
Josh Stone  
Earl O. Wright - 1988 - 2002

Stephen J. Parsons  
Catherine R. Hulme  
William R. Scandlyn - 1988 - 1999

**INDEPENDENT AUDITOR'S REPORT**

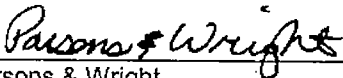
Board of Directors  
Innovation Valley Inc  
Knoxville, Tennessee 38555

We have audited the accompanying statement of financial position of Innovation Valley Inc (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the period from inception, February 6, 2008, to June 30, 2009. These financial statements are the responsibility of Innovation Valley Inc'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. 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 Innovation Valley Inc, as of the period from inception, February 6, 2008, to June 30, 2009, and the changes in its net assets and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Innovation Valley Inc. The schedule listed in the table of contents as Supplemental Financial Information is presented for the purposes of additional analysis and is 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 financial statements taken as a whole.

  
\_\_\_\_\_  
Parsons & Wright  
Certified Public Accountants  
Kingston, Tennessee

October 9, 2009

---

**INNOVATION VALLEY INC**  
**FINANCIAL STATEMENT INFORMATION**  
**PERIOD FROM INCEPTION,**  
**FEBRUARY 6, 2008 TO JUNE 30, 2009**

INNOVATION VALLEY INC  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009

	<u>JUNE 30, 2009</u>
<b>ASSETS</b>	
<b>ASSETS</b>	
Cash	\$ 311,755
Pledges Receivable	<u>280,500</u>
<b>TOTAL ASSETS</b>	<u>\$ 592,255</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ <u>250,508</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 250,508</u>
<b>NET ASSETS</b>	
Unrestricted	\$ 341,747
Temporarily Restricted	0
Permanently Restricted	<u>0</u>
<i>Total Unrestricted and Restricted Net Assets</i>	<u>\$ 341,747</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 341,747</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 592,255</u>

The accompanying notes are an integral part of these financial statements.

**INNOVATION VALLEY INC**  
**STATEMENT OF ACTIVITIES**  
**PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

	<u>June 30, 2009</u>
<b>UNRESTRICTED NET ASSETS</b>	
<b>Unrestricted Revenues and Other Support</b>	
Corporate Contributions	\$ 2,167,500
Interest Income	6,233
Miscellaneous Revenue	<u>50,223</u>
<b><i>Total Unrestricted Revenues and Other Support</i></b>	<b>\$ <u>2,223,956</u></b>
<b>Expenses</b>	
Program Services	
Public Funding	\$ 912,000
Education/Workforce	227,033
Technology & Entrepreneurship	186,531
Global Marketing	331,795
Business Retention & Expansion	69,035
Public Policy	<u>27,683</u>
Total Program Services	1,754,077
General & Administrative Expenses	<u>128,132</u>
<b><i>Total Expenses</i></b>	<b>\$ <u>1,882,209</u></b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>\$ 341,747</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>0</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u><u>341,747</u></u></b>

The accompanying notes are an integral part of these financial statements.

**INNOVATION VALLEY INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

	<b>PUBLIC FUNDING</b>	<b>EDUCATION/ WORKFORCE</b>	<b>TECHNOLOGY &amp; ENTREPRENEURSHIP</b>	<b>GLOBAL MARKETING</b>	<b>BUSINESS RETENTION &amp; EXPANSION</b>
Partner Labor	\$ 100,000	\$ 95,602	\$ 40,165	\$ 43,767	\$ 49,469
Conventions	0	3,405	348	12,820	1,343
Dues	0	300	0	7,065	1,340
Hospitality	0	5,606	1,800	3,196	2,982
Event Expense	0	0	0	0	0
Website	0	7,105	2,500	20,678	0
Advertising Expenses	0	155	0	125,655	0
Printed Materials	0	1,082	0	3,924	0
Regional Marketing Materials	0	0	0	30,767	0
Other Printing	0	0	0	343	0
Publications	0	46	0	0	0
Contract Services	0	91,314	88,750	12,150	0
Miscellaneous	0	0	50,000	0	0
Postage	0	468	0	131	0
Public Funding	812,000	0	0	0	0
Software	0	5,000	0	14,992	8,465
Supplies	0	935	654	1,347	0
Telephone	0	1,774	100	483	318
Accounting & Legal Fees	0	0	0	0	0
Travel, Meals, & Lodging	0	14,241	2,214	54,477	5,118
<b>TOTAL</b>	<b>\$ 912,000</b>	<b>\$ 227,033</b>	<b>\$ 186,531</b>	<b>\$ 331,795</b>	<b>\$ 69,035</b>

The accompanying notes are an integral part of these financial statements.

**INNOVATION VALLEY INC**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

	<u>PUBLIC</u> <u>POLICY</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>SERVICES</u>	<u>GENERAL &amp;</u> <u>ADMINISTRATIVE</u>	<u>TOTAL</u>
Partner Labor	\$ 19,762	\$ 348,765	\$ 0	\$ 348,765
Conventions	40	17,956	0	17,956
Dues	340	9,045	0	9,045
Entertainment	613	14,197	233	14,430
Event Expense	0	0	96,596	96,596
Website	0	30,283	30	30,313
Advertising Expenses	0	125,810	0	125,810
Printed Materials	0	5,006	0	5,006
Regional Marketing Materials	0	30,767	0	30,767
Other Printing	0	343	0	343
Publications	0	46	0	46
Contract Services	0	192,214	18,613	210,827
Miscellaneous	0	50,000	82	50,082
Postage	46	645	0	645
Public Funding	0	812,000	0	812,000
Software	1,900	30,357	0	30,357
Supplies	0	2,936	163	3,099
Telephone	842	3,517	0	3,517
Accounting & Legal Fees	0	0	12,415	12,415
Travel, Meals, & Lodging	4,140	80,190	0	80,190
<b>TOTAL</b>	<u>\$ 27,683</u>	<u>\$ 1,754,077</u>	<u>\$ 128,132</u>	<u>\$ 1,882,209</u>

The accompanying notes are an integral part of these financial statements.

**INNOVATION VALLEY INC**  
**STATEMENT OF CASH FLOWS**  
**PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

	<b>JUNE 30, 2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 341,747
<i>Adjustments to reconcile changes in net assets to cash provided (used) by operating activities:</i>	
Changes in Assets and Liabilities	
(Increase) Decrease in Pledges Receivable	(280,500)
Increase (Decrease) in Accounts Payable	250,508
<b><i>Net Cash Provided (Used) by Operating Activities</i></b>	<b>\$ 311,755</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	0
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ 311,755
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH)</b>	
Beginning of Period	0
End of Period	<b>\$ 311,755</b>

The accompanying notes are an integral part of these financial statements.

**INNOVATION VALLEY INC  
NOTES TO FINANCIAL STATEMENTS  
PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

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

*1. Nature of Activities*

Innovation Valley Inc (the Organization) is a regional economic development initiative with world-class resources in science, technology, and business. The Organization was created, on February 6, 2008, to implement a five-year economic development blueprint for business growth in the Knoxville-Oak Ridge area of East Tennessee. The Organization is supported primarily through donor contributions. The economic development blueprint for Innovation Valley Inc will be carried out by six Partner Agencies. The six Partner Agencies are as follows:

- Blount County Chamber of Commerce
- Knoxville Chamber
- Loudon County Economic Development Agency
- Oak Ridge Economic Partnership
- The Roane Alliance
- Tellico Reservoir Development Agency

*2. Basis of Accounting*

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Organization uses the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

*3. Income Tax Status*

The Organization has qualified as a publicly supported organization exempt from Federal income tax under Section 501 (c)(6) of the Internal Revenue Code.

*4. Cash Flow Statement*

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

INTEREST PAID	\$ <u>0</u>
INCOME TAXES PAID	\$ <u>0</u>

*5. Use of Estimates*

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

**INNOVATION VALLEY INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES – Continued**

*6. Promises to Give*

Donor pledges are revocable at any time for any reason and are not conditional. Contribution revenue is recognized when the Organization invoices the donors. The Organization invoices donors for current year pledges only, unless otherwise directed by the donor.

Two donors with promises to give over the next four years requested to be invoiced their total pledge amounts in 2009. The contributions paid in advance of the promises to give equaled \$130,000. The donors had no special stipulations on these payments.

*7. Advertising Expense*

The advertising expense presented in the Statement of Functional Expenses represents advertising expenses of the Partner Agencies that were reimbursed by the Organization. The Organization had no advertising expenses of its own.

*8. Financial Statement Presentation*

Net assets represent the difference between a nonprofit organization's assets and liabilities. In accordance with SFAS No. 117, net assets are classified into one of the following three categories depending on the absence or presence and nature of donor-imposed restrictions.

<b>CATAGORIES OF ASSETS</b>	<b>BALANCE JUNE 30, 2009</b>
a. Unrestricted Net Assets, which are not restricted by donors or by law.	\$ 341,747
b. Temporarily Restricted Net Assets, whose use has been limited by donor-imposed time restrictions or purpose restrictions.	0
c. Permanently Restricted Net Assets, which have been restricted by donor or by law to be maintained by the organization in perpetuity.	0
<b>TOTAL</b>	<b>\$ 341,747</b>

**NOTE B – CASH AND CASH EQUIVALENTS**

The cash in bank total of \$311,755 consists of:

<b>ACCOUNT DESCRIPTION</b>	<b>BALANCE JUNE 30, 2009</b>
Demand Deposit Account	\$ 311,755
Certificate of Deposit	0
Savings	0
<b>TOTAL CASH IN BANK</b>	<b>\$ 311,755</b>

Note: The total cash in bank includes \$0 in restricted cash.

**INNOVATION VALLEY INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

**NOTE B – CASH AND CASH EQUIVALENTS – Continued**

All accounts are listed in the name of Innovation Valley Inc. As of June 30, 2009, the bank balance of \$302,388 was on deposit with three different financial institutions of which \$302,388 was covered by FDIC insurance.

**NOTE C – PLEDGES RECEIVABLE**

Innovation Valley Inc considers pledges receivable to be fully collectable; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Of the \$280,500 in pledges receivable, \$240,000 was owed by two donors that made payment subsequent to June 30, 2009, but prior to the audit report date. Bad debts expense as of June 30, 2009, was \$0.

**NOTE D – DISBURSEMENTS TO PARTNER AGENCIES**

Disbursements to each of the partners are as follows:

<u>Partner Agency</u>	<u>2009 Disbursement Amount</u>
Blount County Chamber of Commerce	\$ 115,047
Knoxville Chamber (includes \$800,000 of public funds)	1,251,708
Loudon County Economic Development Agency	45,667
Oak Ridge Economic Partnership (includes \$112,000 of public funds)	221,125
The Roane Alliance	54,448
Tellico Reservoir Development Agency	<u>15,082</u>
Total Partner Disbursements	\$ 1,703,077
Disbursements to Other Organizations	51,000
General & Administrative	<u>128,132</u>
Total Expenses	<u>\$ 1,882,209</u>

**NOTE E – CONCENTRATION OF CREDIT RISKS**

Innovation Valley Inc receives most of its funding from local governments and businesses in the Knoxville-Oak Ridge area of East Tennessee. A major reduction of contributions by the donors, should this occur, may have a significant effect on future operations.

**INNOVATION VALLEY INC**  
**SUPPLEMENTAL INFORMATION**  
**PERIOD FROM INCEPTION,**  
**FEBRUARY 6, 2008 TO JUNE 30, 2009**

**INNOVATION VALLEY INC**  
**STATEMENT OF EXPENSES**  
**BUDGET VS ACTUAL**  
**PERIOD FROM INCEPTION, FEBRUARY 6, 2008, TO JUNE 30, 2009**

<b>EXPENSES</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
Salary	\$ 5,000	\$ 0	\$ 5,000
Taxes	400	0	400
Partner Labor	544,584	348,765	195,819
Conventions	41,160	17,956	23,204
Dues	17,381	9,045	8,336
Hospitality	35,046	14,430	20,616
Event Expense	224,196	96,596	127,600
Website	38,500	30,313	8,187
Advertising Expenses	107,188	125,810	(18,622)
Printed Materials	42,500	5,006	37,494
Regional Marketing Materials	25,000	30,767	(5,767)
Other Printing	600	343	257
Publications	2,300	46	2,254
Contract Services	158,510	210,827	(52,317)
Miscellaneous	24,407	50,082	(25,675)
Postage	630	645	(15)
Public Funding	625,000	812,000	(187,000)
Software	37,850	30,357	7,493
Supplies	2,746	3,099	(353)
Telephone	5,720	3,517	2,203
Accounting & Legal Fees	12,350	12,415	(65)
Travel, Meals, & Lodging	78,250	80,190	(1,940)
<b>TOTAL EXPENSES</b>	<b>\$ 2,029,318</b>	<b>\$ 1,882,209</b>	<b>\$ 147,109</b>

See independent auditor's report.

# **Innovation Valley Inc Board of Directors**

**Dr. Thomas E. Mason**

President & CEO  
UT-Battelle LLC  
P.O. Box 2008  
Oak Ridge, TN 37831-6266  
865-576-2900

**Kevin Clayton**

CEO  
Clayton Homes, Inc.  
P.O. Box 9790  
Maryville, TN 37802  
865-380-3000

**James A. Haslam, III**

President  
Pilot Travel Centers LLC  
P.O. Box 10146  
Knoxville, TN 37939-0146  
865-588-7487

**Randy Boyd**

President & CEO  
Radio Systems Corporation  
10427 Electric Avenue  
Knoxville, TN 37932  
865-218-4061

**Mark Cate**

Campaign Manager  
Bill Haslam for Governor  
713 Market Street  
Knoxville, TN 37902  
865-549-7430

**Raja Jubran**

CEO  
Denark Construction  
1635 Western Ave.  
Knoxville, TN 37921  
(865) 637-1925, ext 104

**Bruce Hartmann**

Vice President of Sales  
E.W. Scripps  
2332 News Sentinel Drive  
Knoxville, TN 37921-5766  
865-942-6920

**Mark Isom**

President & CEO  
Premiere Building Maintenance Corp.  
1416 McCalla Ave  
Knoxville, TN 37915  
865-522-7731

**Mintha Roach**

President/CEO  
Knoxville Utilities Board  
P.O. Box 59017  
Knoxville, TN 37950-9017  
865-594-7531

**Wes Stowers**

Chairman  
Stowers Machinery Corporation  
P.O. Box 14802  
Knoxville, TN 37914  
865-546-1050



## Knox County Community Grant Certification

The organization which I am a duly sworn representative has complied with all applicable federal, state and/or local laws and requirements including but not limited to:

- **Tennessee Code Annotated, 5-9-109**, which requires that any nonprofit organization that desires financial assistance from the county legislative body or the governing body of the county shall file with the county clerk a copy of an annual report of its business affairs and transaction, prepared and certified by the chief financial officer, which includes, but is not limited to:
  - a copy of an annual audit for the most recent fiscal year (in lieu of an annual audit, a detailed report of all receipts and expenditures may be filed);
  - a description of the program that serves the residents of the county; and,
  - the proposed use of the county assistance.
- The **Charitable Solicitations Act** requires that charitable organizations who solicit contributions directly or indirectly from, or within, the State of Tennessee register with the division, unless exempt from the registration requirements.
- Current on **all** property taxes for properties owned within Knox County (including Knoxville taxes if applicable) unless exempt through the Tennessee State Board of Equalization.
- **Resolution R-08-5-501**, a Resolution of the Commission of Knox County, Tennessee, requiring all Community Grant recipients to document and report the status of their use of funds received.

The organization further acknowledges that non-compliance could result in *rejection of the funding request*, suspension/revocation of awarded funding and/or repayment of funds received from Knox County.

Rhonda Rice

Printed Name of Organization Representative

Rhonda Rice

Signature

Executive Vice President

Title

3/25/10

Date



Knox County  
Conflict of Interest Disclosure Form

Complete the following form to disclose any direct conflict and/or potential conflict with Knox County (including elected officials) and your organization including Board Members and/or employees. **Complete only in the event of a direct and/or indirect conflict of interest.**

1. Is any member of your immediate family (including husband/wife, children, parents, grandparents, sister, brother, father/mother/sister/brother-in-law, aunt, uncle, niece or nephew) employed by Knox County or an Elected Official?  Yes  No

If yes, please identify: \_\_\_\_\_  
\_\_\_\_\_

2. Do you or any immediate family member (as listed above) benefit financially from any business and/or professional relationship with Knox County or any local Elected Official?  Yes  No

If yes, please identify: \_\_\_\_\_  
\_\_\_\_\_

3. Are there any affiliations (other than those identified above) for which you believe you might have a conflict of interest or the public may construe to be a conflict of interest with Knox County?  Yes  No

If yes, please identify: \_\_\_\_\_  
\_\_\_\_\_

4. Other comments? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I hereby certify that, to the best of my knowledge, the information disclosed is accurate and complete.

Name (print): Mintha Roach Title: President/CEO, KUB

Signature: Mintha Roach Date: 3/18/09



Knox County  
Conflict of Interest Disclosure Form

Complete the following form to disclose any direct conflict and/or potential conflict with Knox County (including elected officials) and your organization including Board Members and/or employees. **Complete only in the event of a direct and/or indirect conflict of interest.**

1. Is any member of your immediate family (including husband/wife, children, parents, grandparents, sister, brother, father/mother/sister/brother-in-law, aunt, uncle, niece or nephew) employed by Knox County or an Elected Official?  Yes  No

If yes, please identify: \_\_\_\_\_  
\_\_\_\_\_

2. Do you or any immediate family member (as listed above) benefit financially from any business and/or professional relationship with Knox County or any local Elected Official?  Yes  No

If yes, please identify: \_\_\_\_\_  
\_\_\_\_\_

3. Are there any affiliations (other than those identified above) for which you believe you might have a conflict of interest or the public may construe to be a conflict of interest with Knox County?  Yes  No

If yes, please identify: \_\_\_\_\_  
\_\_\_\_\_

4. Other comments? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I hereby certify that, to the best of my knowledge, the information disclosed is accurate and complete.

Name (print): Kevin T. Clayton Title: CEO, Clayton Homes  
Signature:  Date: March 18, 2009