

Financial Statements

**LUCAS COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**  
(Formerly Lucas County  
Improvement Corporation)

Years Ended December 31, 2012 and 2011  
with Accountants' Compilation Report

Lucas County Economic Development Corporation

Financial Statements

Years Ended December 31, 2012 and 2011

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# MIRA+KOLENA

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## ACCOUNTANTS' COMPILATION REPORT

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Member of:  
American Institute  
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Certified Public  
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Board of Directors  
Lucas County Economic Development Corporation

We have compiled the accompanying statements of financial position of Lucas County Economic Development Corporation (a not-for-profit organization and formerly Lucas County Improvement Corporation) as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*Mira + Kolena, Ltd.*

April 29, 2013

Lucas County Economic Development Corporation

Statements of Financial Position

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 77,992	\$ 37,467
Cash designated for grants	10,000	375
Accounts receivable	18,028	17,359
Prepaid expenses	9,490	1,192
Property and equipment:		
Equipment and software	26,217	26,217
Furniture and fixtures	19,547	19,547
	<u>45,764</u>	<u>45,764</u>
Less accumulated depreciation	32,619	25,393
Net property and equipment	<u>13,145</u>	<u>20,371</u>
Other assets:		
Investment in limited liability company	112,639	119,189
Note receivable	36,306	47,832
Land held for sale	450	450
Deferred financing costs, net of accumulated amortization of \$27,830 (\$11,132 in 2011)	-	16,698
Total other assets	<u>149,395</u>	<u>184,169</u>
Total assets	<u>\$ 278,050</u>	<u>\$ 260,933</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 12,942	\$ 8,190
Accrued liabilities:		
Payroll and vacation	15,801	21,147
Payroll taxes	1,799	1,252
Workers compensation	551	529
Contract labor	-	1,314
	<u>18,151</u>	<u>24,242</u>
Deferred revenue	10,000	-
Total liabilities	<u>41,093</u>	<u>32,432</u>
Net assets - unrestricted	<u>236,957</u>	<u>228,501</u>
Total liabilities and net assets	<u>\$ 278,050</u>	<u>\$ 260,933</u>

See accountants' compilation report and accompanying notes.

Lucas County Economic Development Corporation

Statements of Activities

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>		
Contributions from Lucas County	\$ 458,609	\$ 450,000
Grants:		
Operating	78,259	-
Pass-through	34,698	30,000
	<u>112,957</u>	<u>30,000</u>
Management fees - Lucas County Workforce Investment Board	46,439	246,771
Interest	1,616	1,700
Equity in net loss on investment in limited liability company	(6,550)	-
Consulting	-	2,500
	<u>613,071</u>	<u>730,971</u>
<b>Expenses:</b>		
Salaries and wages	334,136	378,056
Rent	45,324	36,249
Professional fees	53,214	27,109
Insurance:		
Group	39,858	74,951
Professional liability	1,658	3,618
Pass-through grant	34,698	30,000
Payroll taxes and workers' compensation	28,735	27,583
Depreciation and amortization	23,924	14,294
Telephone and internet	11,847	14,915
Travel	9,858	12,065
Occupancy and office	7,891	8,557
Conferences and training	3,605	3,719
Outside services	3,439	2,359
Dues and subscriptions	3,138	4,588
Meals and entertainment	1,369	2,592
Miscellaneous	1,001	862
Marketing	500	1,728
Postage, shipping and delivery	298	181
Contract labor	122	45,939
Bad debt	-	1,994
Consulting	-	1,000
Total expenses	<u>604,615</u>	<u>692,359</u>
<b>Change in net assets</b>	<b>8,456</b>	<b>38,612</b>
Net assets at beginning of year	<u>228,501</u>	<u>189,889</u>
Net assets at end of year	<u><u>\$ 236,957</u></u>	<u><u>\$ 228,501</u></u>

See accountants' compilation report and accompanying notes.

Lucas County Economic Development Corporation

Statements of Cash Flows

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 8,456	\$ 38,612
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	23,924	14,294
Loss on investment in limited liability company	6,550	-
Changes in assets and liabilities:		
Cash designated for grants	(9,625)	-
Accounts receivable	(669)	(17,359)
Prepaid expenses	(8,298)	-
Accounts payable	4,752	(23,375)
Accrued liabilities	(6,091)	(2,727)
Deferred revenue	10,000	-
Net cash provided by operating activities	<u>28,999</u>	<u>9,445</u>
<b>Cash flows from investing activities - payments received on note receivable</b>	<u>11,526</u>	<u>9,418</u>
Net increase in cash	40,525	18,863
Cash at beginning of year	<u>37,467</u>	<u>18,604</u>
Cash at end of year	<u><u>\$ 77,992</u></u>	<u><u>\$ 37,467</u></u>

See accountants' compilation report and accompanying notes.

# Lucas County Economic Development Corporation

## Notes to Financial Statements

December 31, 2012 and 2011

(See accountants' compilation report)

### 1. Summary of Significant Accounting Policies

#### Business Activity

Lucas County Economic Development Corporation (the "Corporation") was organized for the purpose of promoting, advancing and encouraging the industrial, economic, commercial and civic development of Lucas County, Ohio ("Lucas County") and the surrounding area. In July 2012, the Corporation changed its name from Lucas County Improvement Corporation to the name above. Funds for this purpose are contributed by Lucas County, the City of Toledo (through the U.S. Department of Housing and Urban Development's Community Development Block Grant), and the Regional Growth Partnership (through the JobsOhio program).

In June 2011, the Corporation established Northwest Ohio Improvement Fund, LLC, a wholly-owned for-profit subsidiary engaged in providing financing to companies and real estate development projects in Northwest Ohio. The Toledo-Lucas County Port Authority is the primary beneficiary of the activities conducted by this entity. There was no financial activity related to this entity in 2012 and 2011.

In December 2011, the Corporation established Lucas County Commercial Redevelopment, LLC, a wholly-owned not-for-profit subsidiary engaged in land redevelopment. There was no financial activity related to this entity during 2012 and 2011.

Upon dissolution or liquidation of the Corporation, any remaining net assets of the Corporation shall be distributed as determined by the Board of Directors with the approval of the Court of Common Pleas of Lucas County, Ohio, for charitable purposes in the Lucas County area.

#### Net Asset Classifications

Resources for various purposes are classified for accounting and financial reporting purposes into net asset categories established according to their nature and purpose as follows:

- Unrestricted net assets – Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for the Corporation to utilize in any of its programs or supporting services.
- Temporarily restricted net assets – Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Corporation. The Corporation does not have any temporarily restricted net assets at December 31, 2012 and 2011.
- Permanently restricted net assets – Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity but permit the Corporation to expend all or part of the income derived from the donated assets. The Corporation does not have any permanently restricted net assets at December 31, 2012 and 2011.

**Lucas County Economic Development Corporation**

**Notes to Financial Statements**

**December 31, 2012 and 2011**

(See accountants' compilation report)

**1. Summary of Significant Accounting Policies - continued**

**Restricted Cash**

The Corporation received a grant award to revitalize a specific Toledo area. Terms of the grant require the funds to be segregated from other Corporation funds. The funds were spent by December 31, 2012.

The Corporation received a \$10,000 grant to create a regional economic development strategy, which is unexpended as of December 31, 2012. The cash received is included in cash designated for grants at December 31, 2012.

**Investment in Limited Liability Company**

The Corporation has an investment in a limited liability company which is recorded using the equity method of accounting.

**Concentration of Revenue and Accounts Receivable**

In 2012, approximately 74% of funding (62% in 2011) to the Corporation was from support provided by Lucas County. A significant reduction in the level of support could have a significant effect on the Corporation's programs and/or financial viability.

**Note Receivable**

The note receivable is stated at its unpaid principal balance. The Corporation's practice is to charge off any portion of the loan when the loan is determined by management to be uncollectible.

**Property and Equipment**

Property and equipment is recorded at cost. Depreciation is calculated by the straight line method over the estimated useful lives of the equipment ranging from 3 to 7 years. Depreciation expense for the years ended December 31, 2012 and 2011 is \$7,226 and \$8,728, respectively.

**Revenue Recognition**

Unconditional promises to give are recognized as revenue in the period promised and as increases in assets or decreases of liabilities depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There are no conditional promises to give at December 31, 2012 and 2011.



**Lucas County Economic Development Corporation**

**Notes to Financial Statements - continued**

**December 31, 2012 and 2011**

(See accountants' compilation report)

**1. Summary of Significant Accounting Policies – continued**

**Revenue Recognition – continued**

Grant revenue received prior to year end which is unspent is recorded as deferred revenue. Periodic audits of some grants may be required and certain costs may be deemed inappropriate by the grantor which could result in the refund of grant monies to the granting agencies. Management believes that any required refunds will not be significant to the accompanying financial statements and no provision has been made in the accompanying financial statements for the refund of any grant monies.

Temporarily restricted contributions are reported as increases in temporarily restricted net assets. When a donor time restriction ends or purpose or other restricted is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Subsequent Events**

The Corporation has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2012 financial statements through April 29, 2013, the date the financial statements are available to be issued.

**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 amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

**Income Taxes**

The Corporation was incorporated on February 20, 1964 under Chapter 1724 of the Ohio Revised Code as a community improvement corporation, which is a non-profit organization. The Corporation has received approval from the Internal Revenue Service to be classified as a public charity and is thereby exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Corporation has evaluated the guidelines related to uncertain tax positions and has concluded that the Corporation has no significant financial statement exposure to uncertain tax positions at December 31, 2012 and 2011. The Corporation's policy is to record any interest and penalties as a component of income tax expense. The Corporation's federal tax returns for the years subsequent to 2008 remain subject to examination by the Internal Revenue Service.

# Lucas County Economic Development Corporation

## Notes to Financial Statements

December 31, 2012 and 2011

(See accountants' compilation report)

### 1. Summary of Significant Accounting Policies – continued

#### Deferred Financing Costs

In September 2009, a commitment fee of \$27,830 was incurred to secure a \$2,783,000 loan from the State of Ohio for a development project. The loan was never funded and, in 2012, the Corporation rescinded its participation in this project. As a result, the related \$16,698 in deferred financing fees was written off in 2012 and included in amortization expense. Amortization expense for the year ended December 31, 2011 was \$5,566.

### 2. Investment in Limited Liability Company

The Corporation has invested \$125,000 in Rocket Ventures Fund, LLC, and a development fund administered through the Regional Growth Partnership, Inc.. The investment is reported using the equity method of accounting at its carrying value of \$112,639 and \$119,189 at December 31, 2012 and 2011, respectively. Based upon the understanding with Lucas County, any positive return on the investment will be remitted to Lucas County.

### 3. Note Receivable

The Corporation has advanced \$75,000 to an operating company under a seven year note which bears interest at 3 1/2%. The note is secured by a mortgage agreement on certain real property and certain guarantees. At December 31, 2012 and 2011, the principal balance of the note is \$36,306 and \$47,832, respectively.

### 4. Related Party Transactions

The Corporation had an agreement with Workforce Investment Board, a not-for-profit organization related to Lucas County, through June 2012, for certain management and administrative services. In 2012 and 2011, the Corporation received approximately \$47,000 and \$246,000, respectively, under this agreement which is reflected as management fees in the accompanying financial statements. At December 31, 2011, the Corporation had accounts receivable of \$17,359 from the Workforce Investment Board (\$0- at December 31, 2012).

### 5. Lease Commitments

Rent expense under operating lease agreements for use of facilities totaled \$45,324 and \$36,249 in 2012 and 2011, respectively. Annual future minimum lease commitments total \$42,306, exclusive of an additional obligation to pay certain utilities and taxes, and are payable in 2013.

**Lucas County Economic Development Corporation**

**Notes to Financial Statements**

**December 31, 2012 and 2011**

(See accountants' compilation report)

**6. Grants**

The Corporation was awarded a \$200,000 grant in 2011 from the City of Toledo for an environmental remediation project. The Corporation incurred approximately \$15,000 of expenses and received approximately \$15,000 of funds related to this grant during 2012. The Corporation did not incur any expenses or receive any funds related to this grant during 2011.