

Financial Statements

**LUCAS COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

Years Ended December 31, 2013 and 2012
with Accountant's Compilation Report

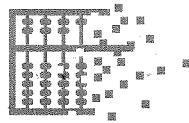
Lucas County Economic Development Corporation

Financial Statements

Years Ended December 31, 2013 and 2012

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MIRA+KOLENA

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ACCOUNTANT'S COMPILATION REPORT

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Member of:
American Institute
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Accountants

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) as of December 31, 2013 and 2012, 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.

February 12, 2014

Lucas County Economic Development Corporation

Statements of Financial Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash	\$ 141,799	\$ 77,992
Restricted cash	10,000	10,000
Accounts receivable:		
Grants	5,400	15,441
Other	<u>2,587</u>	<u>2,587</u>
	7,987	18,028
Prepaid expenses	8,384	9,490
Property and equipment:		
Equipment and software	26,744	26,217
Furniture and fixtures	<u>19,547</u>	<u>19,547</u>
	46,291	45,764
Less accumulated depreciation	<u>37,574</u>	<u>32,619</u>
	8,717	13,145
Other assets:		
Investment in limited liability company	73,891	112,639
Note receivable	24,335	36,306
Land held for sale	450	450
Deferred financing costs, net of accumulated amortization of \$27,830	-	-
	<u>98,676</u>	<u>149,395</u>
Total assets	<u><u>\$ 275,563</u></u>	<u><u>\$ 278,050</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 791	\$ 12,942
Accrued liabilities:		
Payroll and vacation	12,151	15,801
Payroll taxes	1,280	1,799
Workers compensation	<u>349</u>	<u>551</u>
	13,780	18,151
Deferred revenue	<u>10,000</u>	<u>10,000</u>
Total liabilities	24,571	41,093
Net assets - unrestricted	<u>250,992</u>	<u>236,957</u>
Total liabilities and net assets	<u><u>\$ 275,563</u></u>	<u><u>\$ 278,050</u></u>

See accountant's compilation report and accompanying notes.

Lucas County Economic Development Corporation

Statements of Activities

Years Ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Contributions from Lucas County	\$ 422,000	\$ 458,609
Grants:		
Operating	67,766	78,259
Pass-through	39,000	34,698
	106,766	112,957
Interest income	1,168	1,616
Community improvement corporation services, net of expenses of \$4,584	716	-
Other	145	-
Equity in net loss on investment in limited liability company	(38,473)	(6,550)
Management fees - Lucas County Workforce Investment Board	-	46,439
	492,322	613,071
Expenses:		
Salaries and wages	233,478	334,136
Insurance:		
Group	45,045	39,637
Professional liability	2,431	1,879
Rent	46,232	45,324
Pass-through grants	39,000	34,698
Professional fees	23,833	56,562
Payroll taxes and workers' compensation	20,555	28,735
Contract labor	16,510	122
Telephone and internet	11,532	10,517
Travel	10,388	9,858
Outside services	7,918	3,439
Office supplies	6,122	5,873
Depreciation and amortization	4,955	23,924
Dues and subscriptions	3,483	3,138
Conferences and training	2,715	3,605
Meals and entertainment	2,240	1,369
Miscellaneous	1,649	1,001
Postage, shipping and delivery	201	298
Marketing	-	500
Total expenses	478,287	604,615
Change in net assets	14,035	8,456
Net assets at beginning of year	236,957	228,501
Net assets at end of year	\$ 250,992	\$ 236,957

See accountant's compilation report and accompanying notes.

Lucas County Economic Development Corporation

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 14,035	\$ 8,456
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,955	23,924
Loss on investment in limited liability company	38,473	6,550
Changes in assets and liabilities:		
Restricted cash	-	(9,625)
Accounts receivable	10,041	(669)
Prepaid expenses	1,106	(8,298)
Accounts payable	(12,151)	4,752
Accrued liabilities	(4,371)	(6,091)
Deferred revenue	-	10,000
Net cash provided by operating activities	<u>52,088</u>	<u>28,999</u>
Cash flows from investing activities:		
Payments received on note receivable	11,971	11,526
Distributions received on investments	275	-
Capital expenditures	<u>(527)</u>	<u>-</u>
Net cash provided by investing activities	<u>11,719</u>	<u>11,526</u>
Net increase in cash	63,807	40,525
Cash at beginning of year	<u>77,992</u>	<u>37,467</u>
Cash at end of year	<u>\$ 141,799</u>	<u>\$ 77,992</u>

See accountant's compilation report and accompanying notes.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

(See accountant's 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. 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 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 2013 and 2012.

In 2011, the Corporation also 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 2013 and 2012.

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, 2013 and 2012.
- 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, 2013 and 2012.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

(See accountant's compilation report)

1. Summary of Significant Accounting Policies - continued

Restricted Cash

In 2012, the Corporation received a \$10,000 grant to create a regional economic development strategy, which is unexpended as of December 31, 2013. In 2013, the Corporation received a \$10,000 grant to be used for the 2013 Double-Up Food Bucks Program, of which all funds were expended in 2013. Unexpended grant funds received at December 31, 2013 are included as restricted cash in the accompanying financial statements.

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 2013, approximately 86% of funding (74% in 2012) 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.

Notes 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, 2013 and 2012 is \$4,955 and \$7,226, 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, 2013 and 2012.

Grant revenue is recognized when qualifying expenses are incurred and submitted for payment. Any 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.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

(See accountant's compilation report)

1. Summary of Significant Accounting Policies – continued

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.

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 under Chapter 1724 of the Ohio Revised Code as a community improvement corporation, which is a non-profit organization. The Corporation 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, 2013 and 2012. 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 2009 remain subject to examination by the Internal Revenue Service.

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.

Functional Expenses

The Corporation has program expenses that relate to providing certain services under various grants. Program expenses related to providing these services are approximately 23% and 31% for the years ended December 31, 2013 and 2012, respectively. The remainder of costs for each year are classified as management and general expenses. Certain costs not directly attributable to specific program services have been allocated between program and management and general expenses.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

(See accountant's compilation report)

1. Summary of Significant Accounting Policies – continued

Subsequent Events

The Corporation has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2013 financial statements through February 12, 2014, the date the financial statements are available to be issued.

Reclassifications

Certain reclassifications have been made in the 2012 financial statements to confirm with the financial statement presentation in 2013.

2. Investment in Limited Liability Company

The Corporation has invested \$125,000 in Rocket Ventures Fund, LLC, a development fund administered through the Regional Growth Partnership of Northwest Ohio. The investment is reported using the equity method of accounting at its carrying value of \$73,891 and \$112,639 at December 31, 2013 and 2012, 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 a seven year note receivable outstanding 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, 2013 and 2012, the principal balance of the note is \$24,335 and \$36,306, 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, the Corporation received approximately \$47,000 under this agreement which is reflected as management fees in the accompanying financial statements.

5. Lease Commitments

Rent expense under operating lease agreements for use of facilities totaled \$46,232 and \$45,324 in 2013 and 2012, respectively. Annual future minimum lease commitments total \$47,077, exclusive of an additional obligation to pay certain utilities and taxes, and are payable in 2014.

Lucas County Economic Development Corporation

Notes to Financial Statements

December 31, 2013 and 2012

(See accountant's compilation report)

6. Grant

In 2012, the Corporation was awarded a \$200,000 grant from the City of Toledo for economic development technical assistance under the Community Development Block Grant Program. The Corporation incurred approximately \$36,500 and \$42,000 of expenses related to this grant in 2013 and 2012, respectively, and received approximately \$50,500 and \$28,000 of funds during 2013 and 2012, respectively. This grant has been extended to June 30, 2014.